

Neighborhood Planning for Community Revitalization

A NEIGHBORHOOD ECONOMIC DEVELOPMENT HANDBOOK

for all neighborhood members

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EXECUTIVE SUMMARY

This handbook is intended to provide groups of neighborhood members with primary information on neighborhood economic development and to help them go through the process of neighborhood economic development by dividing it into six steps: Vision, Reality, Goals & Criteria, Strategies, Projects & Campaigns, and Evaluation.

The handbook has two parts. Part I introduces basic discussion on economic development and neighborhood participation in the economic development process. Historically, neighborhood economic development has come from two major streams: (1) the top-down approach led by the state and (2) neighborhood organizing. Traditional economic development led by the state was based on the premise that the strong private sector creates economic wealth which will eventually trickle down to the rest of the society. Governments and social service agencies provide various programs targeted to economically disadvantaged neighborhoods and residents, which treats them as the service recipients or clients.

Neighborhood economic development, on the other hand, is a bottom-up approach where neighborhood members are involved throughout the process to improve economic and social situation in their neighborhood. According to this approach, governments and other development institutions should exist to provide technical and financial supports to the neighborhoods throughout the process.

Neighborhood-based organizations have been active in advocating for the improvement of lower income neighborhoods. However, they were frustrated with limitations of the role of organizing and advocacy and thus started taking a more active role in community improvement to initiate neighborhood economic development. They recognized the importance of neighborhood members' involvement in the process of neighborhood economic development to make sure that economic development activities primarily benefit the neighborhoods.

Thus, neighborhood economic development is a bottom-up process which requires active and consistent participation of neighborhood members throughout the decision making process to increase the economic wealth of a neighborhood. It is a process based on equal partnership among neighborhood residents, businesses, and local and state institutions.

Approaches to neighborhood economic development can be categorized based on how to increase neighborhood economic wealth; into three types:

- A. increase jobs and businesses (The Growth Promotion Approach);
- B. increase local ownership and community control over the economy (The Structural Change Approach);
- C. improve equity in the neighborhood (The Communilization Approach).

In practice, neighborhood economic development activities are categorized into six components:

1. commercial and industrial development and property management;
2. employment promotion;
3. business ownership and venture investment;
4. local business development and technical assistance;
5. residential housing development and management;
6. advocacy.

Each neighborhood should create its own approach and implement activities based its opportunities and needs.

Part II introduces the process of neighborhood economic development by dividing it up into six steps: (1) Vision, (2) Reality, (3) Goals & Criteria, (4) Strategy, (5) Project/Campaign, and (6) Evaluation. Each step explains:

- Why is it important for you to think about and do the step?
- What do you need to accomplish and how can you accomplish it?
- What resource or assistance (ex.. human, financial, and information) do you need and where can you find them?

It is crucial that your neighborhood is organized and has a neighborhood-based organization which can assist in community organizing and facilitating the process before you begin the process of neighborhood economic development. Also, once you get into the second step; "Reality," you should consider hiring consultants or getting technical support from educational institutions or other institutions to make sure you are on the right track for the rest of the process.

Neighborhood economic development starts with creating a vision: the preferred future of your neighborhood. The next step is to examine the reality of your neighborhood, including economic and social activities of residents, businesses, and other organizations. This will create a collection of the objective facts which help you focus on opportunities, challenges, and available resources to accomplish your neighborhood's vision. The first part of this "reality check" is an examination of residents' life and business and economic activities in your neighborhood. The second part tries to examine what human, financial, and organizational resources are available for your neighborhood to plan and implement neighborhood economic development efforts.

Once you learn about your neighborhood and find out the opportunities and challenges of your neighborhood, go back to your vision to see if it makes sense to you as the ultimate goal of neighborhood economic development. If it needs revision, do it now. Once the vision is finalized, think about more specific and focused "Goals" based on the vision and the reality check. They can be specific to people, businesses, land, streets, parks, and other things in your neighborhood. Also, compile a list of things/values which are important to your neighborhood: this is called "Criteria."

Next, start deciding how your neighborhood can accomplish the vision and goals without compromising the criteria: this is called developing "Strategies." Talk to people in other

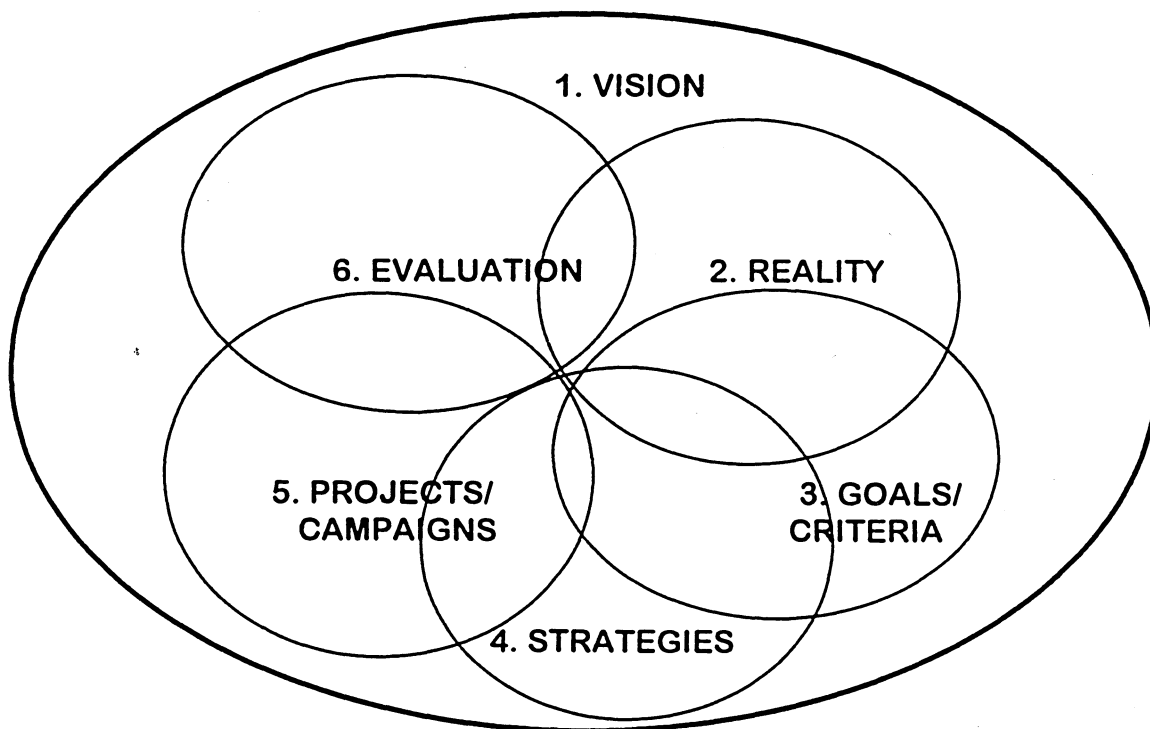
neighborhoods who have already been involved in the process of neighborhood economic development. Find books and articles on how other people have accomplished similar goals. Decide which way your neighborhood wants to/should try to carry out the vision. Once you come up with strategies, break them into ideas for projects/campaigns. Describe them in detail and think about what is required and how long it will take to do these projects/campaigns. Then examine if they are feasible and decide if you want to go ahead and implement them. Hold neighborhood meetings to decide which projects/campaigns you should/can implement.

When the projects/campaigns are selected, negotiate with potential organizations which are able and willing to implement them. Work with them, make sure that resources are available to them, keep a close relationship with them, and give them neighborhood support during the implementation. Develop a monitoring/evaluation plan to make sure the things planned are happening.

Hold annual community celebrations to acknowledge what your neighborhood has accomplished. Review the whole process of neighborhood economic development and make revisions if any of the steps have changed since your neighborhood discussed them last time: this is called "Evaluation."

As the picture below shows, the neighborhood economic development process is a cycle of the six steps, five of which are interrelated to one another based on the neighborhood's vision.

The Cycle of Six Steps in the Neighborhood Economic Development Process



PART I UNDERSTANDING NEIGHBORHOOD ECONOMIC DEVELOPMENT

1. Historical Background

From Top-Down to Bottom-Up

Traditionally, governments and related public agencies have been in charge of planning and implementing economic development activities. Economists generally define economic development as the process of creating wealth in a nation, state, and local economy.¹ Quality jobs and stable income in the private sector stabilize and expand an economy which increases the wealth in a region. Government agencies often use tax spending, investment, incentives, and regulations to attract new businesses and to retain existing ones. This has resulted in destructive competition among states and local areas to attract and retain the private sector. This is often criticized as a "zero-sum" game, since it improves areas with more resources while it hurts economically distressed areas that cannot offer as many incentives and does not produce an overall increase in wealth. Thus, this policy has widened the economic disparity between haves and have nots in American society.

Governments had targeted numerous economic development programs to economically distressed areas or individuals with the greatest need. However these programs often regard poor neighborhoods and residents simply as service recipients or clients. Either the neighborhoods do not participate in the planning process or only certain groups benefit from the regional economic development. Moreover, many economic development professionals work toward increasing the overall wealth of an area rather than focusing on equity goals.² As a result, many top-down government economic development efforts have resulted in increased rather than decreased regional economic disparity. This shows that wealth does not trickle down. A rising tide does not always lift ALL boats.

Neighborhood economic development takes the opposite perspective to this traditional top-down approach. It is a bottom-up approach to improve economic health in a neighborhood and holds to the idea that neighborhood residents should get involved in the process and lead it. In this approach neighborhood members participate throughout the process of economic development in their neighborhood by; (1) identifying their opportunities, needs and challenges and (2) thinking, planning, implementing, and evaluating solutions. Governments and other development agencies provide them with technical and financial support so that the neighborhood can accomplish its goals. This bottom-up economic development approach has gradually gained the attention of government officials, development scholars, and development organizations as an alternative or complementary approach to improve distressed neighborhoods.

¹ Bartik, 1993.

² Munnich, 1995.

From Organizing to Development

Numerous neighborhood-based organizations which historically specialized in organizing, started engaging in development activities in the mid-1960's when the Ford Foundation encouraged the creation of community development corporations.³ At the same time, the federal government experimented with several community promotion programs, such as the Model Cities and Anti-Poverty Programs, to revitalize poor neighborhoods from within.⁴ Neighborhood-based organizations were then frustrated with the limitation of simply organizing neighborhoods to influence governments' development policies and programs to better benefit the neighborhoods. They felt that no effective revitalization occurred without their direct involvement in development activities, and that they needed to build indigenous know-how on economic development and local housing and businesses.⁵ They felt that the participation of neighborhoods was critical to ensure that the benefits of economic development activities accrue to their neighborhoods.⁶ Neighborhood economic development activities here mean direct involvement in creating housing, employment, and local businesses, along with other economic development activities in a neighborhood. As a result, by the 1980s there were as many as 2,000 Community Development Corporations throughout the States.⁷

2. Defining Neighborhood Economic Development

What is a neighborhood economy and neighborhood economic development? How is neighborhood economic development different from community/neighborhood development? What about sustainable development? These terms may take on various meanings depending on whose perspectives we listen to or what journals we read. This section presents some of general definitions for these terms.

Neighborhood Economy

Nowadays an economy has no boundary: we are a part of the international economy and our economic activities are intertwined with the rest of the world. Economists define an economy as a system of people's activity trying to meet their needs and wants that are determined by deliberate allocations of scarce resources. Although individuals are economic agents without control over the whole economy,⁸ individual economic activity has a significant effect on the economy in a neighborhood since money spent there helps create and maintain jobs in the neighborhood.⁹ Whether to open your saving accounts and to purchase groceries within your neighborhood or outside of it certainly does influence your neighborhood economy.

Moreover, the money spent by people in neighborhoods is far from trivial. Inner city

³ Kolodny, 1985; CDRC, 1993.

⁴ Kolodny, 1985; Lemann, 1994.

⁵ Kolodny, 1985.

⁶ Mazaraki, 1993.

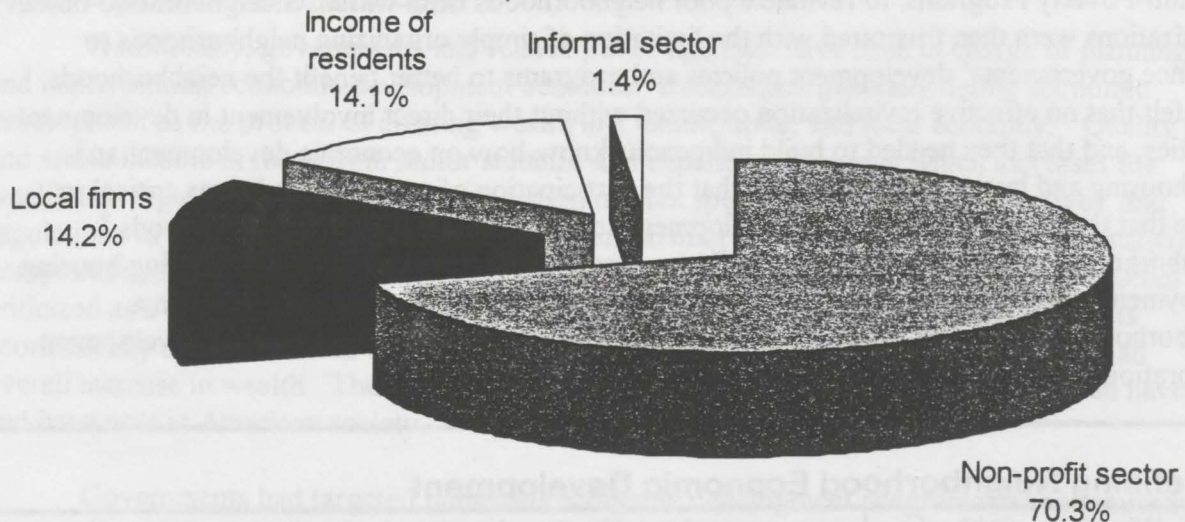
⁷ Vidal, 1992.

⁸ Boothroy and Davis, 1993.

⁹ The Neighborhood Works, 1989.

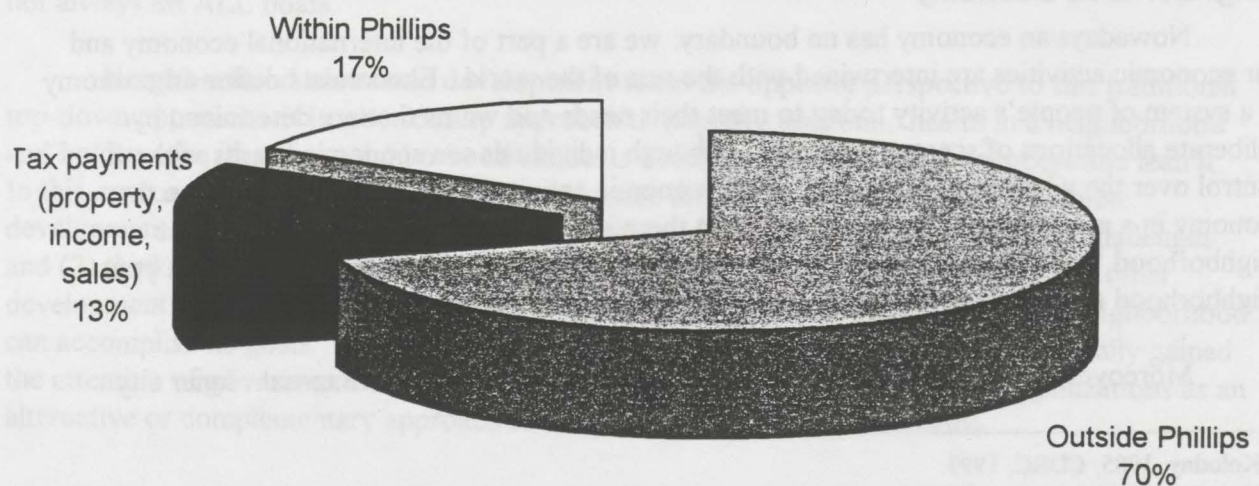
neighborhoods often have economies bigger than that of small towns and cities. For example, the Phillips Neighborhood, with 17,000 residents and more than 200 businesses, produced in 1990 as shown below.¹⁰

Source of Estimated Phillips Neighborhood Income Total \$809 million in 1990



Phillips residents brought 14% of the total neighborhood income as a paycheck from outside. Also, they spent 70% of their income outside the neighborhood.

Breakdown of Phillips Residents' Income Spent in 1990



Thus, it is important to examine how the economic activity of neighborhood actors, such

¹⁰ Meter, 1993.

as residents, employees, business owners, and institutions, will impact the neighborhood economy: economic activity for the rest of the neighborhood. When residents who get a paycheck from outside their neighborhood purchase food at a grocery store next door, a part of the money spent goes to employees as salary. When these employees eat lunch at a restaurant nearby the store, the restaurant owner gets part of the money. When the owner hires an accountant from a consulting office nearby, the accountant receives part of the money. In a neighborhood economy, locally spent money benefits people working within the neighborhood. This results in an expansion of the neighborhood economy creating more jobs and businesses.

This is true for saving and investment as well; as long as the bank where you open your saving account invests in your neighborhood, your saving will support your neighborhood economy. Economists call this "multiplier" effect since the benefits of the money spent increase more within neighborhood. Income of residents, workers, and business owners has a substantial potential (or multiply) to strengthen the neighborhood economy. In the case of the Phillips neighborhood, the multiplier effect is very small since 70% of neighborhood income is spent outside the neighborhood.

Community/Neighborhood Economic Development

Community economic development can be broadly defined as a process in which a community participates in an economy by planning and implementing the development. Here, *a community* is a group of people who know each other personally and who can plan together over time for their long-term common improvement. *Development* means planned qualitative and/or quantitative changes in the economic system to benefit their community.¹¹

The term *community* does not always mean a group of people living within a geographical boundary such as *a neighborhood*. A university and a business association can be called a community. Even when geographically bounded, a *community* can imply a city, a region, or even a country. Thus, this handbook uses "*neighborhood*" instead of "*community*" to avoid confusion; community economic development focusing on a neighborhood is the same as neighborhood economic development. **Neighborhood economic development is a process in which neighborhood members participate in creating and expanding the economic wealth of the neighborhood.**

The general objective of neighborhood economic development is to take some degree of control of the local economy back from the market and the state; This has been called neighborhood intervention for neighborhood ownership. Major goals include the following:

- reduce local unemployment and underemployment;
- identify and enhance the competitive advantage of a neighborhood;
- create opportunities for local ownership or control;
- build leadership and empower neighborhood members;

¹¹ Boothroy & Davis, 1993.

- provide education and information so that the public understands that economically disadvantaged neighborhoods are worth the effort of economic and social investment.¹²

Priority among these goals depends on the characteristics of the neighborhood, the environment surrounding it, and the neighborhood vision for the future.

Community/Neighborhood Development

Community/neighborhood development tries to satisfy the needs of lower-income people by encouraging self-help and cooperation at the local level.¹³ It is a comprehensive approach to revitalize depressed neighborhoods through partnership between neighborhoods, non-profit organizations, and government agencies. Generally, neighborhood development deals with a variety of issues related to the quality of life within a neighborhood: from social issues, such as crime and safety and youth activities, to economic issues. It has four major components: physical infrastructure, housing, economic development, and neighborhood building.¹⁴ Many community development corporations have been established to plan and implement programs to meet basic needs specific to the neighborhood. Some practitioners use community/neighborhood development and community/neighborhood economic development, interchangeably since many of the issues of social welfare are ultimately interrelated with economic opportunity.

Sustainable Development

Sustainable development generally means continuous improvement of the quality of life without violating intergenerational equity regarding capital and environmental wealth.¹⁵ It aims at achieving three goals:

1. *Creating economic wealth with the minimum use of available resources:* environmental wealth, such as natural resources and clean air and water, cannot be completely substituted with or restored by man-made assets and technology. Thus, our economic activities should use the least possible amount of these natural resources to maintain or improve the quality of life of our generation;
2. *Intragenerational equity:* sustainable development in a wealthy region should not be achieved at the expense of poor regions;
3. *Intergenerational equity:* future generations have every right to enjoy the same amount of environmental wealth as we do.¹⁶

A sustainable neighborhood uses its resources to meet current needs while ensuring that adequate resources are preserved for future generations.¹⁷ It aims to improve public health and

¹² Mazaraski, 1993.

¹³ CDRC, 1993.

¹⁴ Lambert, 1996.

¹⁵ Pearce, et. al., 1989.

¹⁶ Markandya, 1994.

¹⁷ CONCERN, Inc.

the quality of life for all residents by limiting waste, preventing pollution, and maximizing resource conservation while promoting efficiency and investing local resources to revitalize the local economy. In a sustainable neighborhood, necessities for life are provided within walking distance, or by easily accessible public transportation. Mixed-use zoning can provide job opportunities, shopping, and social activity within a neighborhood's boundary. Housing is moderately high-density. The existing buildings are well-managed, architecturally interesting, and often historically significant.¹⁸

Sustainability of a neighborhood depends on creating and maintaining its economic and environmental health, promoting active citizen participation in the development process, and promptly people's willingness to change lifestyles which are based on mass consumption. Creation of a sustainable community starts with individuals' participation in a planning process to learn about the assets, needs, strengths, and weakness of the neighborhood. Residents then articulate their aspirations, categorize and prioritize ideas, develop a consensus, and explore ways to implement their goals for sustainable neighborhood improvement. Indicators of sustainability are created to measure progress and to provide feedback for neighborhood adjustment.¹⁹

3. Approaches to Neighborhood Economic Development

Individuals in the field of neighborhood economic development often bring different perspectives to the process resulting in different sets of assumptions, goals, and strategies. This often leads to frustrating discussion among neighborhood committee members, and confusion among development practitioners seeking a theoretical context for their daily work. Boothroyd and Davis (1993) have sorted these perspectives into three neighborhood economic development approaches based on what a neighborhood is trying to achieve: (A) economic growth (the growth promotion approach), (B) structural change (the structural change approach), and (C) better neighborhood relationship (the communization approach). This section introduces these approaches with their assumptions, strategies, and the limitations based on the paper by Boothroyd and Davis (1993).

A. The Growth Promotion Approach

The growth promotion approach aims to increase jobs, income, and business activities in a neighborhood by attracting new businesses and supporting existing ones to grow. In this approach, economic development means economic growth, generally equal to an increase in the income of a neighborhood. This approach is more common at the national and state level in trying to attract private investment to expand the economy.

Assumptions

The growth promotion approach is established on five assumptions regarding the nature of the economy:

¹⁸ Nauer, 1994.

¹⁹ CONCERN, Inc.

1. The economy includes only monetary transactions: goods and services produced within the market. Services by volunteering and exchanges through bartering do not account for economic development;
2. The neighborhood is better off when employment increases, resulting in higher income, increased property values, and an expanded tax base. Cultural, social, and environmental costs due to increased employment are secondary concerns;
3. Employment is most effectively created by increasing the flow of money into the neighborhood, by expanding sales of domestic goods and services outside of it and by attracting outside business into the neighborhood. The latter is best achieved through promotion of the neighborhood's positive characteristics, such as location and resources;
4. The economy is best left to the market force. No one can intervene better than the invisible hand of the market. The benefits of increased employment will trickle down to all other aspects of life in the neighborhood;
5. Businesses work together through local institutions to become increasingly effective competitors for investment and markets in the larger economy in order to achieve neighborhood growth.

Strategies

Two strategies have been developed based on these assumptions. One is the traditional growth promotion strategy, sometimes called "Smokestack Chasing." A neighborhood tries to attract new business, especially large employers who open factories and stores, by marketing advantages of the neighborhood (e.g., central location to downtown and a quality workforce). Also, it seeks to improve or create competitive advantages by working with government agencies to improve physical infrastructure and to initiate fiscal incentives to attract potential investors. This strategy generally does not focus on a specific industry. Thus, it often results in competition among neighborhoods against each other for same businesses: the "zero-sum game." Also, it may cause losses to existing businesses (e.g., a new retailer replaces many local retail stores and some existing ones cannot afford increased rents and wages due to new businesses).

The other strategy, "Growth Planning," is more contemporary and comprehensive. The goals are to increase the productivity of existing firms and encourage the establishment of new ones by local entrepreneurs. Direct public assistance to firms and entrepreneurs includes loans and grants, training programs for entrepreneurs and employees, business incubators, and industrial parks. Incubators generally provide small business startups with a pool of office equipment and other facilities, information on efficient technological innovations, marketing trends, and infrastructure improvements. More indirect assistance can aim to improve neighborhood environment; heritage preservation, streets and health facilities improvement, pollution reduction, and social services development, such as day care, in order to attract consumers, tourists, workers, and investors. These improvements can be provided by the municipality, neighborhood organizations, and/or various public agencies.

Limitations

The growth promotion approach, by focusing on an increase in aggregated income, neglects the long-term issues of stability, sustainability, and equity in a neighborhood. Also, a

neighborhood always has to compete against other neighborhoods to gain more assistance from states and private foundations to attract more customers and investors. Even when the economic growth promotion approach may be a necessary approach, it is not sufficient for most neighborhoods. Poor neighborhoods where economic growth is most needed are less likely to win the competition because they have less to offer and need more external supports and resources to win.

B. The Structural Change Approach

The structural change approach focuses on improving the quality of the neighborhood economy. Economic development is a more complex process than economic growth and should aim to create stability and sustainability within the economy. Economic stability is achieved by developing a robust mix of locally-controlled, environmentally-sustainable economic activity, while maintaining the living standard people have enjoyed. Neighborhood control over economic activity is an important tool in achieving the goals of this approach.

Assumptions

The structural change approach is based on the following three assumptions:

1. The economy includes both monetary and nonmonetary transactions. Most neighborhoods have a significant potential for further development of the noncash sector;
2. The primary goal of neighborhood economic development is to increase local control in order to stabilize the economy against macroeconomics cycles in the short and long terms;
3. The internal structure of the economy should be deliberately restructured by the neighborhood, or people who participate in the economy, rather than left to market forces.

Strategies

There are five strategies to achieve stability and sustainability of the neighborhood economy:

1. Diversify external investment sources: Several small employers are more stable and robust than one big employer, even if they are all externally owned;
2. Reduce dependence on external investment by increasing local ownership: This can be achieved by supporting local entrepreneurs, identifying smaller scale technologies or unfilled market niches to be exploited by local entrepreneurs, developing credit unions and neighborhood loan funds, and establishing producer and consumer co-ops and community development corporations;
3. Reduce dependence on outside decision-makers by increasing local control over resource management: A neighborhood can try to increase neighborhood control over land by creating co-op housing and participating in commercial and industrial development projects;
4. Reduce the need for goods and services produced outside a neighborhood, by substituting them with local production;
5. Reduce dependence on money as the basis for local exchange by strengthening the local noncash economy: This reduces the impacts of business cycles on the neighborhood

economy. The business cycle creates a period of high unemployment or high inflation which hurts a low-income neighborhood more than a higher income neighborhood. This strategy includes organizing volunteers to lead youth activities, establishing neighborhood gardens, and forming baby-sitting co-ops.

Limitations

The structural change approach prioritizes long-term stability and sustainability of the neighborhood economy over a short-term increase in employment and income. Thus, a neighborhood may have to sacrifice some degree of potential short-term economic growth to gain economic stability (e.g., forgoing tempting large-scale economic development projects in order to retain local ownership, or accepting lower interest returns and greater risks than offered in the major market).

C. The Communilization Approach

The communilization approach aims to develop an economy in such a way that everyone in a neighborhood can *equally* benefit from economic growth and stability. A neighborhood is not just a location in which economic activities take place but also "a social/emotional quality whereby people feel connected with each other." In this model, neighborhood economic development is meant to create a more equitable system of production and distribution of wealth and fair access to the means of household livelihood by creating fair access to the neighborhood's collective decision-making processes.

Assumptions

1. The economy includes nonmarket production and distribution based on common ownership, sharing, mutual aid, and improving productive life at the expense of efficiency. Social and economic relationship are intertwined;
2. The purpose of neighborhood economic development is to increase solidarity, distributive justice, and broadly defined the quality of life in the neighborhood;
3. Economic institutions should be organized to promote cooperation rather than competition;
4. All community members must be empowered to participate in planning and decision-making processes that shape the neighborhood economy.

Strategies

Three major strategies of the communilization approach were developed to achieve the goals:

1. Eliminate the marginalization or exploitation of a neighborhood by advocating for friendly policies in the local and state governments: Neighborhoods can press the government to encourage work sharing, prevent discriminatory lending policies, monitor work conditions, and facilitate unionization. They also can advocate for more fair distribution of neighborhood services and the benefits of development activities, as well as making the planning process more participatory;
2. Establish neighborhood-controlled business/development institutions to meet the needs of the

neighborhood: These institutions can be co-ops (which protect individuals from the market, increase collective bargaining power, and retain earnings within the neighborhood), worker cooperatives (which can design their salary scales, working conditions, and profit distributions in favor of members within a firm and the larger neighborhood), and neighborhood credit unions (which can give special assistance to entrepreneurs and small business owners from lower-income communities), and community development corporations (which can directly provide services and implement development activities to achieve economic justice),²⁰

3. Promote noncash mutual aid norms and practices: Volunteers in neighborhood organizations play major roles in planning and implementing services and activities. Also, collaboration by diverse associations (e.g., churches, musicians, and athletes) can create educational and recreational activities for children in the neighborhood. The neighborhood should recognize the importance of such mutual aid to the neighborhood economy and promote its expansion.

Limitations

The communilization approach is the most difficult in practice among the three approaches, since it goes against conventional development which places high value on privacy and individual responsibility. Also, it is practically impossible philosophy for a neighborhood to practice this without first achieving stability and sustainability of the neighborhood economy; through the structural change approach. On the other hand, a neighborhood will have a difficult decision in sacrificing the short-time opportunities for economic growth over long-term stability unless there is a high value placed on the neighborhood.

Table 1 summarizes the major differences in the perspectives of the three approaches. As Boothroy and Davis (1993) caution, in practice, the three approaches are not so clearly distinguished or mutually exclusive. Many practitioners think that a successfully developed neighborhood economy will meet the goals of all three approaches. In any case, a neighborhood needs to think of reasons for choosing a particular approach over others or a combination of the three. Part II desires a process to choose approaches and strategies to neighborhood economic development specific to your neighborhood.

²⁰ See the section, "Ten Strategic Options for Neighborhood Economic Development," in Part II for detail.

Table 1: A Summary of the Three Approaches to Neighborhood Economic Development²¹

	A. Economic Growth	B. Structural Change	C. Communilization
Concept of Economy	Monetary transactions	Plus, nonmonetary transactions	Plus, production distribution based on nonmarket principles
Concept of Neighborhood	Locality centered around businesses	Home for people participating in the neighborhood economy	Mutual commitment among people in a neighborhood
Primary Goal	Growth of jobs and income	Stability and sustainability	Sharing and caring
Primary Strategy	Increase monetary inflows	Increase local control through structural change in the economy	Integrate social and economic development, focusing on equity

4. Neighborhood Economic Development Activities

Various public and private institutions engage in neighborhood economic development activities that are categorized into six components.²² These organizations often provide their services or implement development activities across neighborhoods with similar needs.

Commercial/industrial development and property management: Real estate development, including office developments, site assemblage for an industrial park or shopping center, creating a shared facility or an incubator, and management of these facilities.

Employment promotion: Job placement and referral services, work preparedness programs, technical training/skill development programs, and subsidizing a part of the cost for job seekers to gain new employment, such as day care and transportation costs.

Business ownership and venture investments: Operation of market-driven businesses, including retail, furniture making, bakeries, and recycling plants. Some of these businesses take nontraditional ownership forms: workers cooperatives or employee stock ownership plans.

Local business development and technical assistance: Provision of technical assistance, matchmaking services, small business and revolving loan funds for start-ups and small- and

²¹ Boothroy & Davis, 1993.

²² Mazaraski, 1993; Blakely, 1994.

medium-sized businesses and entrepreneurial development and assistance.

Residential housing development and management: Construction and rehabilitation of apartments and single-family housing, management of the developed property, and provision of affordable housing loans. This is the most popular and successful activity initiated by neighborhood organizations, including community development corporations.

Advocacy: Advocacy for neighborhood residents to increase infrastructure improvements, create business incentives, foreign trade, or enterprise zones, influence local hiring agreements, or lobby for and implement corporate retention strategies. The advocacy component is often integrated into all activities mentioned above.

In summary, neighborhood economic development is a bottom-up process which requires active and consistent participation of neighborhood members throughout the process to increase the economic wealth of your neighborhood. It is a process based on equal partnership among neighborhood residents, businesses, and private and public institutions. It is an opposite approach from conventional top-down economic development approaches planned and implemented by government agencies. Approaches to neighborhood economic development vary depending on the vision of neighborhood members on how to increase neighborhood economic wealth. The different approaches include increasing (a) jobs and businesses, (b) local ownership, or (c) equity in a neighborhood. In practice, neighborhood economic development activities are categorized into six components: (1) commercial and industrial development and property management, (2) employment promotion, (3) business ownership and venture investment, (4) local business development and technical assistance, (5) residential housing development and management, and (6) advocacy. Each neighborhood should create its own approach and implement activities based its opportunities and needs.

Now, you should be thinking, "So, how can we do neighborhood economic development? Where do we start? What do we need?" Part II of this handbook discusses a process of neighborhood economic development based on a literature review and inputs from neighborhood economic development practitioners.

PART II NEIGHBORHOOD ECONOMIC DEVELOPMENT PROCESS

— Planning and Managing Your Neighborhood Economic Development Process

The neighborhood economic development process are divided into the six following steps:

1. **Vision:** create a vision of economic development for your neighborhood
2. **Reality:** create a neighborhood profile to understand the reality of your neighborhood
3. **Goals & Criteria (Vision Revisited):** review the neighborhood's vision and set up specific development goals and criteria to (re)vitalize your neighborhood economy
4. **Strategies:** develop overall strategies to achieve the development goals
5. **Project/Campaign:** develop projects and campaigns to accomplish the goals, and implement them
6. **Evaluation:** celebrate and evaluate your neighborhood economic development process

Either directly or indirectly, you as neighborhood members must participate and make decisions together to proceed through each step. The following sections point out important factors you need to be aware of at each step and provide tools and information sources to help you go through the process.

Each step requires a great deal of time and energy in recruiting neighborhood members, maintaining their active participation, and discussing various ideas and options to reach consensus.²³ In each step there will be power struggles, conflicts of interests, and differences in perspective and opinion among neighborhood members, or between neighborhoods and external agents. Effective and flexible leadership and facilitation are required to facilitate these challenges and deal with unexpected contingencies. "Economic Renewal Guide" by Michael J. Kinsley (1997) discusses collaborative community decision making (Chapter 3) and provides know-how on leadership and facilitation for conducting effective neighborhood meetings (Chapter 6). This section instead tries to provide neighborhood members with direction and focus for effective neighborhood economic development.

Step1: Create A Vision of Your Neighborhood

Neighborhood economic development starts with the participation of your neighborhood members in the process to improve your neighborhood. The first step is to develop a common vision of your neighborhood by thinking about these questions:

- ? What kind of neighborhood do you want your neighborhood to be?
- ? What are the strengths of your neighborhood? (what do you like about your neighborhood?)
- ? What would you like to change your neighborhood? (what do you dislike about your neighborhood?)
- ? When these changes have been made, what will your neighborhood be like?

²³ Consensus does not mean unanimous agreement but a decision which everyone can live with (Kinsley, 1997).

You can think about these questions by focusing on the aspects of housing, roads and parks, businesses and jobs, health, crime and safety, the younger generation, education and recreation, and the environment in your neighborhood. Each of you are encouraged to start creating your dream neighborhood using Worksheet 1 in Appendix A.

Create a vision of your neighborhood that neighborhood members support. The creation of a common vision of your neighborhood can be complicated and time-consuming. In order to include as many members in the process as possible, you may have to conduct surveys and hold many workshops and meetings. You need to organize your neighborhood to create a robust collective voice for your neighborhood. Generally, a neighborhood-based organization in your neighborhood can assist you through this step.

It is critical for your neighborhood to be organized and to have a neighborhood-based organization that is capable of providing technical and human resources, such as a coordinator and a facilitator, throughout the neighborhood economic development process. Without such an organization which represents a neighborhood's collective voice, other institutions, including government agencies, foundations, and other non-profit organizations, are less likely to work with you as an equal partner. To forge an effective partnership with these institutions, the neighborhood must be well organized to be an equal player at the table.²⁴ Chapter 4 of "Economic Renewal Guide" gives you a step-by-step guide for neighborhood organizing for neighborhood economic development.

Creating a common vision based on active participation and support of neighborhood members is the very first step of neighborhood economic development, since the vision is the overall objective of neighborhood economic development. The following step is to create economic development goals, strategies, and projects/campaigns which help to realize the vision.

Step2: Understand The Reality of Your Neighborhood (A Neighborhood Profile)

Before thinking about specific economic development approaches to accomplish the vision created in Step One, you need to learn about the present situation of your neighborhood, especially the neighborhood economy. The reality in your neighborhood has two major components, *the socioeconomic base* and *economic development capacity*, of your neighborhood:

1. *A Socioeconomic Bases Analysis* will help to find out various characteristics of a neighborhood, such as the quality of residents' life, neighborhood economy, neighborhood factors, and the surrounding economy;
2. *Neighborhood Economic Development Capacity* will provide information on human and financial resources available for neighborhood economic development as well as the relationship with political institutions.

²⁴ Medoff and Sklar, 1994.

Understanding the reality of your neighborhood is crucial to creating practical economic development goals, criteria, and strategies in the following steps. This section introduces procedures of data collection and analysis needed to compile a neighborhood profile.

Note that this step of examining the reality of your neighborhood from the inside out can be accomplished at the same time as creating the vision. Some information discussed here is available at local libraries or government agencies, while others require surveys or further research. Conduct the studies on the socioeconomic base analysis when they make sense to your neighborhood in terms of capacity and vision. However, the economic development capacity needs to be thoroughly examined since this is the driving force to initiate your neighborhood economic development. Keep in mind that based on the neighborhood's vision and information on reality of your neighborhood, you can identify your opportunities, challenges, and available resources for neighborhood economic development to proceed through the following steps. Also, much of the data collected here will be used during the project development.

1. Socioeconomic Base Analysis

In order to identify strengths and challenges of your neighborhood economy, you need to know two major internal players: residents and businesses including non-profit organizations. They are not mutually exclusive since some residents own businesses or work within the neighborhood. However, you can start studying them separately and then relate them to each other. Picture 1 shows the components of the socioeconomic-base analysis.

Picture 1: Neighborhood Socioeconomic Base

Residents	Neighborhood demographic profile , including: population, educational attainment, occupation, income distributions, poverty rate and public assistance, and housing
Business & Economy	economic activities of residents and businesses including non-profits: Neighborhood business profile Residents' income and expenditure
Neighborhood factors	physical condition and community services
Regional economy	demographic and economic trends of the city/region/state

Neighborhood Demographic Profile

The neighborhood demographic profile is a description of residents in your neighborhood. The main questions posed here are:

- ? Who lives in your neighborhood?
 - ? How do they live in your neighborhood?

Since neighborhood economic development ultimately is to improve the quality of life in a neighborhood, you need to know who lives in the neighborhood and what their concerns are. Particularly, the analysis should be able to measure the economic vitality and opportunities of the neighborhood and to identify the target population or sector for economic development.

Demographic analysis of a city or a state generally include the following data which are also important for the neighborhood analysis.²⁵

- * Population distribution/change including racial, age, and gender breakdown;
- * Educational attainment including racial, age, and gender breakdown;
- * Occupation including industry breakdown and levels of unemployment;
- * Income distribution, either per capita income or household income;
- * Poverty rate and public assistance rate;
- * Quantity and quality of housing.

This data can be obtained from government publications. For neighborhoods in Minneapolis, "Minneapolis Neighborhood Statistics²⁶ Volume1" provides detailed data for population and households with a break down of age, race and ethnicity, education, occupation, income, poverty status, housing units, and housing value for each neighborhood and the city of Minneapolis. "Volume2" provides a definition of the data and a narrative profile based on data in Volume1 for each neighborhood and the city of Minneapolis. For Districts of St. Paul, "St. Paul Planning District 1990 Census Data" provides these data for each district and the city.

These statistics are available at the Government Publications Library at Wilson Library, University of Minnesota and major public libraries in the Twin Cities.²⁷ It is useful to obtain data for surrounding neighborhoods and the city of Minneapolis as well as your neighborhood in order to identify and highlight the uniqueness of your neighborhood. For Minneapolis neighborhoods, "Minneapolis Neighborhood Statistics Volume2" is helpful to analyze demographic information. Also, by obtaining data from 1983 and 1993, you can roughly see changes in neighborhood residents over time. Analysis of these data are further explained in Appendix B.

Neighborhood Economic Profile

A neighborhood economic profile shows opportunities and challenges of your neighborhood economy which is composed of the economic activities of (1) neighborhood

²⁵ The course, "State and Local Economic Development Strategy Workshop," offered at Humphrey Institute of Public Affairs, University of Minnesota.

²⁶ Minneapolis Neighborhood Statistics is provided by the U.S. Bureau of the Census User-defined Areas Program and released through the City of Minneapolis Planning Department. It was published in 1983 based on the 1980 census sample and in 1993 based on the 1990 census sample.

²⁷ See Appendix C.

businesses and (2) neighborhood residents. Neighborhood businesses are major players, both suppliers and consumers, in your neighborhood economy. You need to know about them to improve the economic wealth of your neighborhood.

A. Neighborhood Business Profile

The major questions for the business community are:

- ? What businesses (industries) exist in your neighborhood?
- ? How many and what kind of jobs are available with these businesses?
- ? How much wage/salary and what benefits are offered by them?
- ? How do these businesses relate to each other?

Start with creating a neighborhood business directory. A neighborhood business directory generally contains a list with for- and non-profit institutions' name, address, phone number, Standard Industrial Identification (SIC) code, contact person and its status, annual sales volume, number of employees, and credit rating. These information can be extracted from business directories published by private companies. For example, Dun & Bradstreet²⁸ provides an annual database of business information. American Business Marketing Consulting Influential²⁹ provides business information within the Twin Cities Metro area ever year. Contacts Influential also publishes annual business directory for the Minneapolis and St. Paul metro area. Other resources are listed in "The Best 100" of American Demographics, January 1995. Many of these directories are available at public university libraries, such as Wilson Library, and other major public libraries.³⁰ Also, some of them can be obtained through CD-ROM or on line for charge. Generally, sales volume and number of employees are coded into scales so that you cannot obtain precise data. Since they are not categorized by neighborhoods, you have to collect them according to the street address and ZIP code. Create your '*Neighborhood Business Directory*' based on these information and an overall profile of businesses in your neighborhood.

Then you need to conduct a survey in order to collect more detailed information on employment information and activity of the businesses identified in the business directory. Major questions to ask can include:

- * Currently existing jobs, including their qualification and wage/salary;
- * Human resource management, including benefits and salary raise and promotion system;
- * Existing apprenticeship opportunities;
- * Supply, demand, competition, cooperation, and business environment;
- * Business activity in commercial areas;
- * Future prospects for business activities and employment.

²⁸ New York, NY; (212) 593-6800.

²⁹ The titles are Minneapolis Metro Business Directory and St. Paul Metro Business Directory.

³⁰ See Appendix C.

The procedure of a survey generally includes the following steps: (1) set goals (what you want to know about businesses and why), (2) develop the questionnaire, (3) design the survey and choose a target population, (4) conduct the survey and data collection, and (5) analyze data to create a profile. An example of such a survey is "An Employment and Business Survey in the Phillips Neighborhood³¹" conducted in 1996.

There are three ways to conduct the survey:

1. Hire a staff person to carry out the whole process;
2. Hire a staff person to set up a framework of the survey and assist throughout the process while neighborhood members conduct and analyze the survey;
3. Do the whole process yourself. It is time-consuming and requires survey research skills and experience.

This is also a great opportunity for residents and business people in your neighborhood to get to know one another. Thus, the third option is most recommended.

For technical assistance for the survey, you can contact with Neighborhood Planning for Community Revitalization (NPCR) Program that provides financial and technical assistance to research projects at the neighborhood level. Also, Minnesota Center for Survey Research (MCSR)³² conducts mail and telephone surveys on a cost-reimbursable basis. Consultation is also available in areas, such as study and questionnaire design, survey administration, data file construction, and analysis. Further information on the analysis of neighborhood business is discussed in Appendix D and the resources for community planning in Appendix C.

B. Neighborhood Residents' Income and Expenditure Profile

Neighborhood residents are the other major player in your neighborhood economy. Since they are the labor force and consumers in the neighborhood, it is important to figure out a flow of capital through your neighborhood since residents work and consume beyond your neighborhood. Major questions to be posed here are:

- ? How much do residents bring into the neighborhood economy as income?
- ? How much income do they spend within your neighborhood?
- ? Where do residents earn their income and what are the resources for their income?
- ? Where and on what do they spend their income?

Individual income generally consists of wage/salary, social security, public assistance, and interest earning from savings.³³ Wage/salary and public assistance for a neighborhood are listed in "Minneapolis Neighborhood Statistics" or "St. Paul Planning District Census Data."

³¹ Osada, 1996.

³² Contact Rossana Armson at (612) 627-4282.

³³ Since interest earning from savings are small compared to other sources of income, it is ignored in this analysis.

Individual expenditures include housing, consumption on goods, such as food, clothing, transportation, education, insurance, and so on. Real estate and tax payments are available at the City's Assessor's Office.³⁴ Since they are not available by neighborhood, they need to be estimated based on "The Consumer Expenditure Survey" published by the Department of Labor.³⁵ Since it lists average annual expenditures and characteristics for the Twin Cities, you will need to adjust it to your neighborhood according to the characteristics found in the neighborhood socioeconomic base analysis (such as the population and income level).

You can conduct a survey to find out how much residents earn in income and how they spend it within your neighborhood. The survey process is basically same as the business survey. An example of a detailed neighborhood balance sheet is "Phillips Neighborhood Income Statement and Balance Sheet" by Ken Meter (1993).³⁶ The involvement of residents in conducting the survey is an important process of neighborhood participation in thinking about their neighborhood economy.

The focus here is on the flow of money through your neighborhood and the purchasing power of your neighborhood.

- ? How much disposable income (gross income minus taxes) do residents earn and from where?
- ? What do they purchase more outside than within your neighborhood?
- ? Why? Because these goods or services are not sold within your neighborhood? Because residents do not know where to buy them within your neighborhood?
- ? How much money seem to stay within your neighborhood?

Now, you have information on major players, both residents and businesses, in your neighborhood economy and their opportunities and challenges. Think about how they are related to each other, as employees and employers, consumers and producers, as well as neighborhood members. Is there any gap or vacuum between them? If so, how can economic development play a role to close it?

Neighborhood Factors

Neighborhood factors here mean the physical condition and community services of a neighborhood. The physical condition includes land use, buildings, other physical resources, and transportation and communication facilities. Documenting assets and liabilities of these factors help you identify your neighborhood's opportunities and challenges for economic development. Community services, such as social, educational, recreational, and cultural services, available in a neighborhood should be examined as well. These factors can increase the attractiveness of your neighborhood as a place to live and work.

Information on zoning and land use, commercial buildings, and facilities are available at

³⁴ See Section, "Political Institutions" for more information.

³⁵ See Appendix C.

³⁶ See especially pp.10-21 of the report. Crossroads Resource Center, Minneapolis, MN. phone: (612) 869-8664.

the Planning Department for Minneapolis³⁷ and the Department of Planning and Economic Development for St. Paul. Information on community services is available through business directories.

Also, mapping these data is helpful to identify the characteristics of your neighborhood. You can create a neighborhood map with land use information at the Minneapolis Public Works Department.³⁸ Identify vacant lots and underutilized commercial space as an opportunity for neighborhood economic development.

Focus groups are useful to discuss what and where neighborhood members see opportunities for economic development in your neighborhood. Try to find property, building and facilities, and other resources which can be utilized for economic development, including new business establishment and business expansion.

Taking Advantage of The Regional Economy

A neighborhood economy is a part of a larger economy, from the regional to the global economy. Understanding the regional economy can be as important as understanding your neighborhood economy, since the latter often depends on the former. Many residents work outside your neighborhood. Many businesses purchase and sell goods and services beyond the neighborhood border. Thus, learn strengths of the regional economy and take advantage of them.

Demographic data at the city or county level can be obtained through "the Census Data." Industry data, such as economic output, number of industries, and employment and growth rate by industry are available through "U.S. Economic Census Data." Both are also found at public libraries, public university libraries, and various government agencies. The focus of analysis of these data is similar to the neighborhood demography and business profiles. Look for what the local economy does better than other areas (or state or national average) and what industry niche can be exploited by your neighborhood. Reports including such analysis for state and regional economic development are available at the State and Local Policy Program³⁹ and various government agencies.⁴⁰

Strengths of a regional economy often exist in rapidly growing industries or stable and vital industries. Michael Porter (1990) calls these strengths "competitive advantages."⁴¹ Competitive advantages of local industries can be identified as industry clusters. There are many case studies on industry clusters nationwide. For the Twin City area, the Metropolitan Council

³⁷ The Department publishes *Zoning Revision News*. Call (612) 673-2597 for more information.

³⁸ See Appendix E.

³⁹ Reports on a comprehensive economic development strategy for various states and cities, including the Twin Cities, were produced by participants of Local Economic Development Strategy Workshop. Contact Marit Enerson at (612) 625-8575.

⁴⁰ For example, the Metropolitan Council, the Minneapolis Planning Department, the St. Paul Department of Planning and Economic Development, MCDA, etc. See for the section "Political Institutions" for contacts.

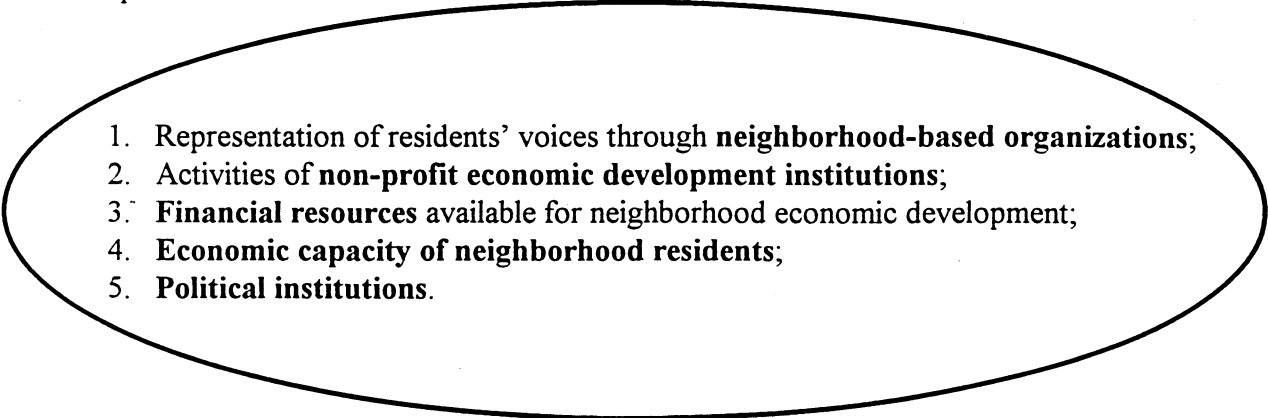
⁴¹ See Resources at the end for more information.

published two studies of industry clusters: "Twin Cities Industry Cluster Study" and "The Financial Services Cluster of the Twin Cities." They exhibit five industry clusters (printing and publishing, computer and software, medical devices, machinery and metalworking, and financial services) with characteristics on key determinants (home demand, related and supporting industries, firm strategy, structure and rivalry, and government). These industries can be potentially good targets for industry and business development or vocational training for job seekers and youth in your neighborhood.

This section explained the importance of a neighborhood socioeconomic base analysis to reveal the reality of residents and business and the economic mechanism of your neighborhood. This analysis will clarify the present situation of your neighborhood and can be used to set up economic development goals and strategies.

2. Neighborhood Economic Development Capacity

The second half of Step Two is to examine your neighborhood's economic development capacity: the major driving forces to initiate economic development. What resources are available? Who engages in the process? Who finances it? Such information is required to create a practical economic development strategy. Neighborhood economic development capacity has five components:

- 
1. Representation of residents' voices through **neighborhood-based organizations**;
 2. Activities of **non-profit economic development institutions**;
 3. **Financial resources** available for neighborhood economic development;
 4. **Economic capacity of neighborhood residents**;
 5. **Political institutions**.

This section offers a way to examine your neighborhood economic development capacity through these five components.

A Neighborhood-based Organization

A neighborhood-based organization in your neighborhood can encourage and assist residents to get involved in the decision making process of neighborhood affairs, including economic development. For example, the mission of People of Phillips, the neighborhood association in the Phillips Neighborhood, is to encourage active citizen participation in all decision making affecting the neighborhood, to provide a mechanism for residents to be well informed, and to facilitate improvement of the neighborhood. Major roles of neighborhood-based organizations in economic development include at least (1) assisting the creation of your neighborhood's vision for economic development, (2) disseminating information related to economic development to

your neighborhood, and (3) representing and advocating for the neighborhood's interest.

One way to learn more about your neighborhood-based organization is to interview the Executive Director and staff with the following questions:

- ? What are the organization's mission, goals, strategies, and programs/projects?
- ? How does any staff in the organization engage in economic development related issues?
- ? What activities do they do?
- ? Whom do they cooperate with (i.e., government officials or private organizations)?
- ? What resources are available for economic development?
- ? How (well) do they represent the neighborhood's voice?

As discussed in Step One, it is essential for your neighborhood to have an organization which can represent the neighborhood's voice. Also, the organization needs to be capable of providing technical and human resources as a coordinator and a facilitator throughout the neighborhood economic development process.

Non-profit Economic Development Organizations

There are often private/non-profit organizations that initiate in planning and implementing economic development projects or programs within your neighborhood. Their mission is generally to improve the quality of life for the target population through their development activities. Thus, these organizations can be great partners for your neighborhood-based organization.

Interviews or a survey with these organizations help you learn more about them. They should be designed to find out:

- * Economic development activities of the organization;
- * The degree of their focus on your neighborhood;
- * Financial and human resources engaged in these activities;
- * Strengths and weaknesses of their activities;
- * Their development perspective on your neighborhood.

An example of such a survey is found in a NRCP Report, "Coordinating Community-based Economic Development in the Phillips Neighborhood."⁴² Also, you should try to identify the missing components of economic development needed for your neighborhood by reviewing them in accordance with characteristics of the neighborhood's socioeconomic base. **Do their activities tend to eliminate the weaknesses or improve strengths of the neighborhood?**

⁴² Osada, 1996.

Financial Resources

Stable financial resources and reliable access to capital are also very crucial components to successfully realize economic development efforts. Without them nothing can ever be implemented no matter what effective development plans or projects your neighborhood has developed. Lack of financial resources and limited access to capital can be a major impediment for neighborhood economic development. Thus, you need to learn where financial resources for current development activities come from and where to search potential financial resources for your future plan.

External Financial Resources Available to Your Neighborhood

To identify available financial resources, start with identifying the funding sources of your neighborhood organization and non-profit economic development organizations. The interviews or the survey with these organizations, suggested in the previous section, should include questions regarding this subject. Generally, there are three types of funding available for non-profit institutions: government agencies, private foundations, and corporate foundations.⁴³ The Sociology Section (2F) of the Minneapolis Public Library provides a variety of information on the following foundations nationwide:

- ***Government agencies*** provide neighborhood organizations with relatively large grants to support various community development activities for a single year or multi-years. These grants require a large amount of paper work for accountability of the recipients and allow less flexibility for implementation of projects or programs. Due to budget cuts, there has been a decrease in this type of funding;
- ***Private foundations*** generally fund an average of \$10-50,000 for various projects and programs, general operating costs, and start-up costs for a year. Each foundation has a specific area and population and types of activities that they want to fund based on their mission. The funding process is more flexible and requires less paper work from recipient organizations. They generally make a certain amount of grants available each year. Developing a close relationship with area officers of these foundations is very important for organizations to increase opportunities to receive stable funding. The Twin Cities area has several foundations, including The Minneapolis Foundation, The St. Paul Foundation, The McKnight Foundation, and The Northwest Area Foundation;
- ***Corporate foundations*** provide smaller grants and equipment or products the corporations produce to the area where their facilities are located. The amount of grants available varies depending on the corporate profits and tax deduction policy.

Access to Capital (Investment in Your Neighborhood)

Access to capital can be studied by examining financial institutions that provide investment to your neighborhood economic development activities. These institutions engage in changing saving of some into investments for others in financial markets. They generally include commercial banks, life insurance companies, property/casualty insurance companies, investment

⁴³ See Appendix for information on foundations in the Twin Cities Area.

banks, trust operations, saving and loan associations, mutual saving banks, and credit unions.⁴⁴

These financial institutions invest in activities which incur profits so that they can recover the initial lending plus interest, such as loans for business startups or expansion and housing development. Since they, excluding credit unions, can decide where to invest their funds the owners of capital have little control over the ways their saving are used. Since they are more willing to invest in areas with higher economic growth for higher returns, there is often a shortage of capital for investment in lower-income or economically inactive areas and smaller-scale businesses and entrepreneurs. However, some commercial banks have a small business loan program or a housing loan programs which provide funds to these areas with lower interest rates than a market rate. These loans are provided by the bank or in collaboration with non-profit development organizations. Interviews with financial institutions within your neighborhood are necessary to figure out how much investment they make locally.

*Neighborhood/community credit unions*⁴⁵ can increase resident control over capital and help keep the capital flow within the neighborhood economy. Credit unions raise most of their funds from saving deposits, called credit union shares. Members of credit unions must have a common relationship, such as residence in a neighborhood or employment in a certain firm. The credit unions provide credit to their members for durable purchasing, business loans, and mortgages. The members often volunteer to help run the organization, which allows the unions to provide credit with a lower interest rate or pay a higher interest rate for their deposits. A neighborhood credit union is a great financial tool to keep investing local resources invested in the neighborhood economy. See "Community Development Credit Union - A Self Help Manual" by Brad Cattel in 1978 for more information.⁴⁶

Financial resources vary depending on the nature of economic development activities. For profit yielding activities, such as commercial and business development and management, private financial institutions can be potential investors. Once these activities are on track, private investors are more willing to invest in sustaining or even expanding them. Think of grants and public assistance as a driving force for initial development to encourage private investment which is far greater and more significant in a long run for sustainable development. On the other hand, for other activities, such as organizing and campaigns, project development, and training programs, foundations can be the only investors since these activities are not profit-oriented.

Economic Capacity of Neighborhood Residents

Economic capacity of neighborhood residents includes skills, work experiences, education and training, and civic or community-based experience of individuals available for neighborhood economic development either on a volunteer or contract basis. It may even include home-based businesses which are probably excluded from standard commercial statistics.⁴⁷ Economic

⁴⁴ Schramm, ed., 1981.

⁴⁵ Schramm, ed., 1981.

⁴⁶ Available at the University of Minnesota Law Library.

⁴⁷ Home-based business includes the self-employed, telecommuters, corporate employees who take work home,

development goals and strategy can be directed toward utilizing such capacity at a maximum: i.e., promoting increased activity of home-based businesses and assisting entrepreneurs establish their businesses. Also, they can be potential resources for neighborhood economic development activity, resulting in the creation of local employment and the reduction of development costs. Information for residents' capacity needs to be gathered through a survey of neighborhood residents. "A Guide To Mapping and Mobilizing the Economic Capacities of Local Residents"⁴⁸ can assist a neighborhood to go through the process to determine the economic capacity of neighborhood residents. It explains each step: designing the capacity inventory, conducting an individual capacity inventory, assessing and organizing the findings, mobilizing community capacity, for neighborhood economic development.

Political Institutions

Local governments and related public agencies regulate local economic activity, give incentives to local economic agents, and run or manage various economic development programs and projects. All of these activities effect on your neighborhood economy so that you need to know who does what to utilize their function for your neighborhood's benefit. Major agencies in the Twin Cities area are:

- ◆ Metropolitan Council of the Twin Cities Area (The Met Council);
- ◆ County Governments (Hennepin and Ramsey);
- ◆ HIRED;
- ◆ Minneapolis Community Development Agency (MCDA);
- ◆ City Governments:
 - City of Minneapolis;
 - The Saint Paul Port Authority;
 - The St. Paul Department of Planning and Economic Development;
- ◆ State of Minnesota;
- ◆ Office of Community Planning and Development (US Department of Housing and Urban Development).

Appendix F presents their objectives, their activities, and their location and contact information in the Twin Cities Area, based on the Home Page of each institution.

The goal of Step One and Two is to identify opportunities, challenges, and resources available for neighborhood economic development in order to accomplish a neighborhood vision. These will be used in developing projects and campaigns later on. Use Worksheet 2 in Appendix A and be specific about opportunities, challenges, and resources as much as possible.

and moonlighters. See NPCR reports no. 1045, and 1054 on home-based industries surveys. Call Kris Nelson at (612)625-1505.

⁴⁸ Kretzjmann & McKnight, 1996.

Step 3: Set Up Neighborhood Economic Development Goals and Criteria

The objective of Step Three is to establish specific goals and criteria for neighborhood economic development based on the neighborhood's vision (Step One) and on the analysis of a neighborhood economy and its economic development capacity (Step Two). First of all, review and finalize the vision in the context of the reality of your neighborhood and create goals attached to specific areas of your neighborhood economy.

Followings are examples of three possible economic development goals your neighborhood may choose. First, you may decide that the goal of economic development is to increase local economic wealth by:

1. Creating quality jobs for the current population;
2. Achieving local economic stability;
3. Building a diverse economic and employment base.⁴⁹

Research on the neighborhood's population, businesses, and industries should reveal:

- a) Skills that residents possess now (and in the future);
- b) Businesses or industries that are likely to offer jobs whose requirements match the skills of residents;
- c) Resources (i.e., land, finance, labor, infrastructure, and technical assistance) which are available for the establishment or expansion of potential businesses.

The finalized goals will state explicitly which social groups and business sectors local economic development should serve.

Second, the overall goal of neighborhood economic development could be to create and retain local jobs and improve the provision of goods and services for local residents.⁵⁰ A neighborhood needs to specify what kind of jobs should be created and retained in relation to the characteristics of residents. Also, identify what goods and services demanded by residents or local businesses do not exist in your neighborhood economy. Both can be drawn from analysis on the reality of your neighborhood (Step Two).

Third, your neighborhood's economic development vision could be focused around the equitable distribution of wealth in a neighborhood; to increase equal access to enhance life for all neighborhood members, including residents, workers, businesses, and institutions.⁵¹ In this example, goals are more specifically focused on social groups, physical facilities and land, and business sectors in order to:

⁴⁹ Blakely, 1994.

⁵⁰ UIC Center for Urban Economic Development, 1987.

⁵¹ Extracted from the mission and goals of Phillips Economic Justice Committee in the Phillips Neighborhood.

- a) Develop an active partnership among neighborhood members to guide and implement economic development;
- b) Revitalize commercial corridors;
- c) Develop environmentally sound businesses;
- d) Promote capital formation and business ownership;
- e) Create housing and child care related jobs; and
- f) Provide support services to resident job seekers and economically disadvantaged youth.

Setting Up Criteria for Your Neighborhood Economic Development Goals

While finalizing the vision and setting up goals, establish criteria (or guidelines) for the goals. Criteria are factors which a neighborhood can observe to see if or how much economic development efforts accomplish the goals and vision of the group. Also, criteria help to establish values that are important to your neighborhood so that they are not lost or overwhelmed in carrying out projects. **These criteria can be used to maintain a neighborhood's control throughout planning, implementation, and evaluation stages of economic development activities.**

An example of the criteria is "West Side River Valley Development Criteria Worksheet" for the West Side Community in St. Paul. The criteria are in Appendix G. This worksheet was used to review several development plans and projects in the West Side River Valley area in terms of the community's development principles (or vision).⁵² Write down your finalized vision, goals, and criteria for neighborhood economic development on Worksheet 3 in Appendix A.

Step 4: Develop Comprehensive Economic Development Strategies

Having defined economic development goals and criteria for your neighborhood, the next step is to develop comprehensive strategies to accomplish these neighborhood economic development goals. You can start with short-term strategic plans (i.e., 1 to 5 years) by considering the following questions:

- ? How and with what tools can we achieve the goals and vision?
- ? Where can we make the greatest improvement in our neighborhood with our present economic development capacity?
- ? Where do we want the greatest change to occur?
- ? What improvement needs to be accomplished first?
- ? How can we build our capacity for economic development?

Also, outline a long-term strategic plan (i.e., 10 years or more) which includes short-term plans to achieve all goals. You may wish to study efforts of other neighborhoods that have implemented similar strategic options.

⁵² Nelson & Johnson, 1996. See Appendix G for the worksheet.

When creating strategies, try to define four key components as specifically as possible. These include: (1) target characteristics, (2) methods of development, (3) a development organizational form, and (4) time frame and short-term goals.⁵³ Use Worksheet 4 in Appendix A to discuss and finalize the strategies.

Target characteristics are information on what or whom neighborhood economic development efforts are going to focus. These could include:

- a) the strategy's focus, such as the size of the target population and area;
- b) the target sectors, e.g., child care and retail services;
- c) the direction of economic growth, such as establishing new firms or supporting existing enterprises;
- d) the critical environmental constraints which may impede its successful implementation, including environmental issues.

Methods of Development include a combination of the ten strategic options to accomplish the goals which are explained in the following section.

Development Organizational Form describes who or what institutions and organizations are appropriate to carry out the strategy. Identify potential economic development organizations and think how they may work together. There are three kinds of potential organizations: local government agencies, for- and non-profit local development corporations, and neighborhood organizations.

Time Frame includes both short-term and tangible objectives (three to six months) and long-term and process objectives (three to six years). These objectives can be used to evaluate the progress in the implementation of projects/campaigns based on the strategy.

Ten Strategic Options for Neighborhood Economic Development

This section introduces ten strategic options for neighborhood economic development based on University of Illinois at Chicago (UIC)'s Center for Urban Economic Development's "Community Economic Development Strategy."⁵⁴ They are summarized here and the implementation process is found in Appendix H. Each option deals with some aspects of a neighborhood and its economy.

(1) Organizing for Economic Development (Campaigns)

Organizing neighborhood members is a required process before and during neighborhood economic development as a bottom-up approach. It is one of the strategic options especially

⁵³ See Blakely (1994)'s "Planning Local Economic Development," for more detailed information presented in this section. Although he discusses a process of local economic development targeting mainly at regional and city level, many of the components also should be considered at neighborhood economic development.

⁵⁴ See the reference under UIC Center for Urban Economic Development for more information.

when a neighborhood needs to make collective action in order to *force the private sector or the public agencies to correct the problems they have created or change their activities and policies in favor of your neighborhood*. Some issues include minority participation in publicly subsidized development projects, redlining, plant closing, and funding for neighborhood development. Depending on the nature of the organizing issues and relationships between neighborhoods and targeted institutions, you can use confrontational or supportive tactics.

(2) Employee Ownership and Worker Cooperative

Unlike conventional private corporations, employee ownership and worker cooperatives increase opportunities for workers to participate in managerial decision making open such as working conditions on the jobs. While employee ownership does not necessarily provide workers with voting rights, employees in a worker cooperative have a mandated control over its business practice with one vote and one share for each.

Such a strategy could be chosen by a neighborhood organization in the following scenarios:

- ◆ workers try to buy out a plant to be closed in order to save jobs and local business suppliers;
- ◆ an employee ownership and worker cooperative divert their business venture into a democratic Employee Stock Ownership Option⁵⁵ or a worker cooperative so that the organization can start new activities or businesses;
- ◆ they establish ventures in partnership with a cooperative by providing the business with capital and managerial supports until the business can become independent.

(3) Linked Development

Linked development programs finance community and economic development projects in lower-income neighborhoods with contributions from developers going to a local government. For example, downtown real estate developers are required to pay a fee to city governments which are used to finance programs to improve low-income housing, job placement and training services initiated by neighborhood-based organizations in urban neighborhoods. While the private developers receive some public subsidies, including tax incentives and zoning bonuses, the neighborhoods gain municipal support for their development projects.

(4) Job Training Programs

Job training is a major human resource development strategy that can reduce unemployment and benefit business.⁵⁶ Programs can target three different social groups of

⁵⁵ The Employee Stock Ownership Plan (ESOP) is a legal and tax mechanism which may or may not include worker control. Employers often make stock contribution to their employees for tax benefits. A democratic ESOP offers employees stock options with the one person/one vote principle.

⁵⁶ The Comprehensive Employment and Training Act (CETA) of 1973 and the Job Training Partnership Act (JITA) of 1982 have made federal funding available for local job training programs (UIC Center for Urban

unemployed people:

1. youth who have difficulty finding a first job where they can develop good work habits and the self-respect needed for their life-long career path;
2. welfare recipients, mostly women heads of households, who cannot obtain marketable job skills or offer stable work commitment due to family and child-care needs;
3. displaced workers who need job retraining to remain marketable.

Job training programs need to partner with a wide range of job placement services and businesses in order for trained job seekers to obtain and retain jobs.

Options for training programs are:

- ◆ to develop a training and placement program with support from industries with labor shortage (i.e., customized training);
- ◆ to establish a community-based business venture where people are trained and/or employed;
- ◆ to advocate for local hiring policies with businesses within the neighborhood;
- ◆ to train and support residents to start their own small businesses.

(5) Capital Pool Strategies

Capital pool strategies offer financial resources to establish or expand small, minority, or community-owned businesses, as well as neighborhood development projects. Access to capital is one of the major impediments for business development and the economic development process in lower-income neighborhoods. There are five sources for creating capital pools which are:

- a) community investment funds which collect investments from individuals, churches, foundations, and others willing to accept a below-market rate of return for neighborhood development projects;
- b) community development credit unions which circulate local saving into investment in local businesses and property or economic development projects;
- c) Using Federal Disclosure Laws, persuade private financial institutions to support neighborhood economic development projects;⁵⁷
- d) Program Related Investments (PRIs) which are capital funds for community projects, loans, or loan guarantees established by local foundations and/or religious organizations;
- e) several other public capital pools such as state-chartered venture capital funds, pension fund investments, tax incentives, and federal programs.

(6) Increasing Local Economic Activity (Buy Local/Produce Local Campaigns)

"Buy local" and "Produce local" campaigns aim to create economic wealth in a

Economic Development, 1987).

⁵⁷ Federal and disclosure laws enable community organizations to monitor commercial lending practices and they can bring charges against banks and other institutions not meeting local financial needs (UIC Center for Urban Economic Development, 1987).

neighborhood by increasing:

- ◆ the purchase of locally produced goods and services by businesses, government agencies, non-profit organizations, and individual consumers;
- ◆ production of goods and services in the neighborhood that will be attractive to these local customers. These campaigns are an indirect way to increase employment.⁵⁸

This is a relatively new approach and many campaigns are at the start-up stage. They generally include creation of local business directories, lists of local products, a system to match or link consumers with producers or sales, and technical and financial assistance for local producers willing to participate in the campaigns.

(7) Business Retention

The goal of business retention is to maintain and expand the economic activity of a neighborhood by supporting existing business. Rather than attracting new business, this strategy aims to coordinate new development with revitalization of existing industries. Neighborhood organizations can bring local businesses together to identify problems and solutions to meet unique needs of the neighborhood economy. Options for business retention are:

- ◆ infrastructure improvements;
- ◆ marketing, including a positive image of a neighborhood;
- ◆ membership services (establish an organization and provide various support services for members' needs);
- ◆ linking local businesses with public assistance;
- ◆ technical and managerial assistance;
- ◆ financial assistance;
- ◆ job training and retaining;
- ◆ industry analysis, including characteristics and trends of the production process and technologies, employment, occupational structures, and location requirements.

(8) Business Incubators

A business incubator is a facility in which entrepreneurs or other small business start-ups can share space and business services at affordable rate. It fosters small business development by trying to overcome two major impediments for success of small businesses: lack of capital and poor management. The incubator concept has four components:

- ◆ an internal support network including on-site business assistance at low or no cost, assistance obtaining capital, and employee training and placement services;
- ◆ real estate at below market rate or with flexible leases;
- ◆ management consulting services;

⁵⁸ See "Neighborhood Economy" in Part I.

- ♦ other support services depending on the business sector.

(9) Entrepreneurial Training

Entrepreneurial training is another type of business development which provides residents with training and support services for self-employment. This option can fit a neighborhood which has inadequate available employment in the area, few people with marketable skills and/or difficulty maintaining fixed full-time (9am-5pm) employment, and those who cannot obtain family wage with available jobs. A neighborhood organization can provide them with:

- ♦ business training and technical and/or financial assistance;⁵⁹
- ♦ competency-based training which provides a means to strengthen motivation by developing qualities and skills typically exhibited by successful entrepreneurs;
- ♦ assistance in developing a business plan;
- ♦ peer support and encouragement through a sharing of experiences during the process of business development;
- ♦ other support services to remove personal and financial obstacles of each participant.

(10) Business Enterprise by Community Organizations

Finally, neighborhood organizations themselves may choose to establish a community-based business designed to decrease unemployment, generate income, and respond to needs of the neighborhood and the organization. Such a business can vary from manufacturing to retail and other service sectors. The main goal of the neighborhood business is not to maximize profits and efficiency, unlike the private sector, but rather to increase jobs for residents, provide them with opportunities for work experience or job training, produce goods and services for the neighborhood, or reduce dependence on external funding for business activity. The functional relationship between the organization and business depends on the nature of the business activity and the amount of the money generated. The business can be as a separate corporation, a program of the organization, or a combination of these two.

Table 2 summarizes these ten options for neighborhood economic development described above. The UIC Center for Urban Economic Development's "Community Economic Development Strategy" thoroughly explains each of these options including its setting, background, strategy, implementation, strengths and weaknesses and provides case studies and references. Most neighborhood strategic plans include some of these options depending on the goal and criteria of the neighborhood. Strategies are unique to each neighborhood in their development as well as their application.⁶⁰

⁵⁹ Various support service programs are available at the U.S. Small Business Administration, state small business development centers or related developments, city and local employment and training agencies, and public educational institutions.

⁶⁰ Blakely, 1994.

Table 2: Strategic Options for Neighborhood Economic Development (NED)

Strategic Options	Your NED Goals	Benefits	Challenges for Implementation
Organizing for Economic Development	Force the private sector or the public agencies to act in favor of the neighborhood	Lower cost, Empowerment	No control over final decision / implementation over the issue
Employee Ownership & Worker Cooperative	Maintain current job & business activity; Give power to employees about their workplace	Stabilize local Economy	A great amount of time, energy, & workers' commitment
Linked Development	Obtain financial resource from developers through a local government	Stable financial resource for NED efforts	Politically difficult; Need to build strong coalition of inner city neighborhoods
Job Training	Develop marketable work force; Lower unemployment	External services available; Match local employers with qualified job seekers	Require placement services; Hard to ensure job placement, quality jobs, or reach "hard to employ" people
Capital Pool	Create capital & funding resources for local business development & NED efforts	Increase control & access to capital; Stable funding source	Require other support services for business development
Buy Local/Produce Local Campaigns	Increase local economic activity with both residents and businesses	Promote cooperation among neighborhood residents	Cannot ensure business' decisions on their activity for the neighborhood
Business Retention	Support existing business for its expansion	Stabilize & expand economic activity & jobs	Economic trends can be beyond the neighborhood's efforts; Business' commitment
Business Incubators	Help new or small business grow to be competitive by providing space and support services	Create local business activity & jobs	Difficult and complex process; Business' commitment
Entrepreneurial Training	Provide residents start their microenterprises with training and support services	External programs available; Create jobs and economic activity	Small scale; Risky operation; Need capital; vulnerable to economic cycle
Community Business Enterprise	Run private business with commitment to the neighborhood	Create employment and economic activity directly	Need a great amount of time & resources; High failure rate

Source: UIC Center for Urban Economic Development, 1987.

Step 5: Identify and Implement Projects and Campaigns

Once your neighborhood's development strategies are laid out, the next step is *develop and implement the projects or campaigns*. Key steps include:

1. brainstorm possible projects/campaigns and create an action plan;
2. choose the feasible projects/campaigns;
3. implement selected projects/campaigns.⁶¹

This section focuses on critical components and steps in the process of project development and implementation. See Picture 2 on the following page for the summary of this step.

It is recommended that a planning team of *a team chair, a project manager*, and several neighborhood members (both residents and business people) be assembled for each proposed project. A project planning team chair has the responsibility of keeping the planning process moving forward, setting the agenda before each meeting, bringing the critical issues to the attention of city staff between meetings, raising questions for neighborhood members, and maintaining order and the voting process within the planning team. A project manager is responsible for providing the team with technical assistance to develop a project, to compile various feasibility studies and to facilitate the process. Depending on the reality of your neighborhood:

- a) A staff person can be hired as both a chair and a project manager;
- b) A neighborhood member can act as a chair, while a project manager can be hired;
- c) Neighborhood members fulfill both roles.

In addition, you need the assistance of consultants or development experts to complete the process. The project manager and the consultant need not only have necessary technical expertise but also should have "people skills" to work with neighborhood members and other external actors.⁶²

1. Brainstorm Possible Projects/Campaigns and Develop An Action Plan

First, neighborhood members brainstorm possible projects. Use Worksheet 4 in Appendix A to write down project ideas.

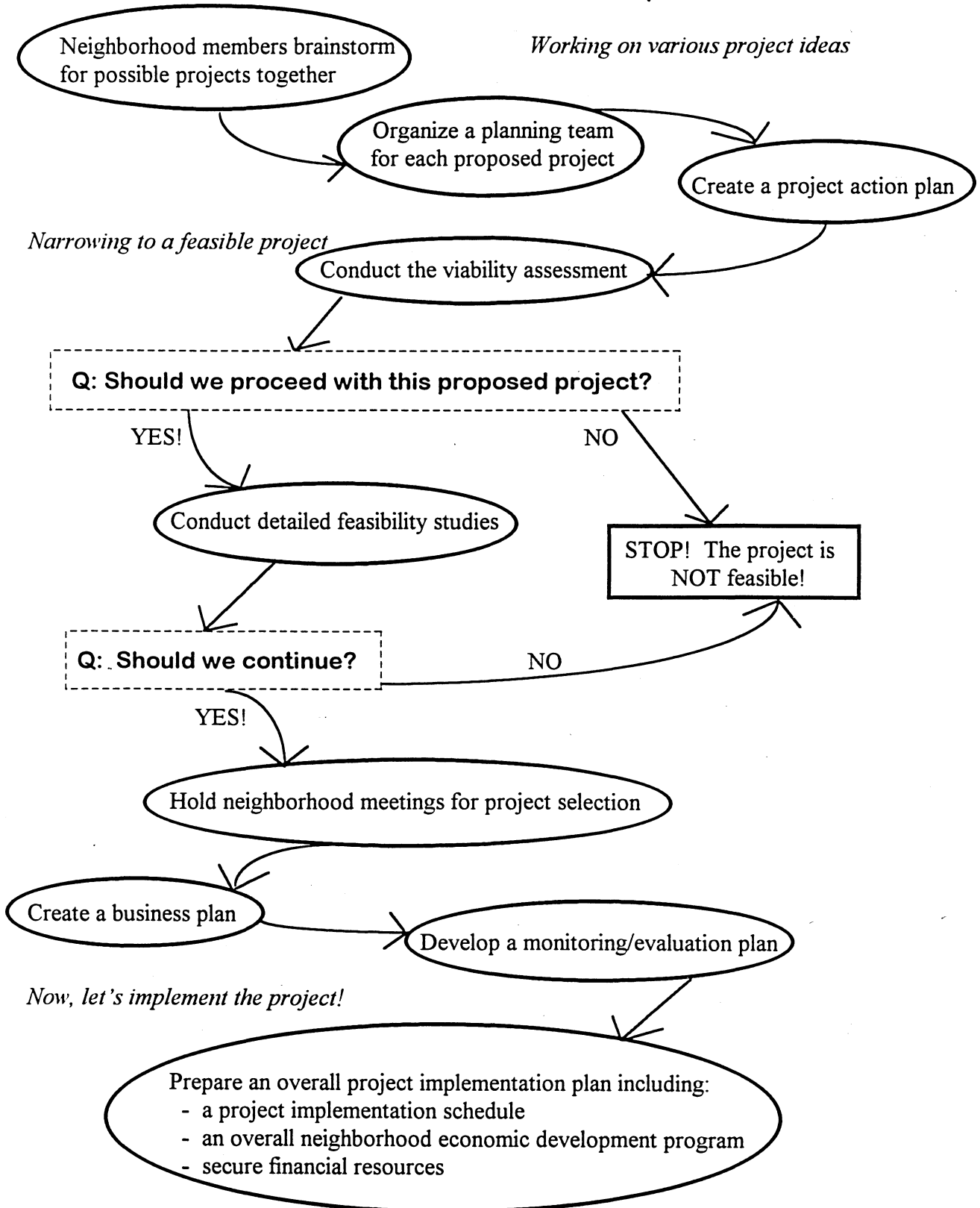
Second, a planning team should be organized for each proposed project to create an action plan. An action plan is a brief document describing the components of a proposed project that match the neighborhood economic development strategy.⁶³ The purpose of an action plan is to gather sufficient information to determine whether resources and systems required for the project

⁶¹ Blakely, 1994.

⁶² Lukermann, et. al., 1996. They further discuss on hiring and utilizing consultants for developing an action plan for commercial corridor development.

⁶³ Blakely, 1994.

Picture 2: A Flowchart of Step 5



are or will be available to your neighborhood. The compilation of projects with detailed action plans will constitute the neighborhood's overall development program. An action plan consists of three major components: expected project outcomes, project inputs, and a management structure or institutional plan.⁶⁴ Use Worksheet 6 in Appendix to go through this process.

Expected outcomes are not only products or services the project is to produce, but also indirect or induced impacts of the project on your neighborhood, such as employment impacts, linkages and spin-offs, and community improvement:

- Products or services are the direct outputs of a proposed project which already have been identified in the strategy;
- Employment impacts are the number of job to be created, their categories and wage range, their availability for local residents, and potential negative impacts on other jobs due to the proposed project;
- Linkages and spin-offs are impacts on (a) use of local resources, such as locally produced goods and services for project inputs, (b) sale of the goods and services produced to the neighborhood, and (c) a potential increase in new investment and other outside businesses coming into the neighborhood, as a result of the project;
- Community improvement is the contribution of the project to the social climate of the neighborhood, including culture, recreation, community image, empowerment, and so on. These project outcomes will define and guide the rest of the neighborhood economic development process.

Project inputs are all the resources needed for a proposed project, including materials, human resources, markets, management, and financial resources. Most of them can be specified for a proposed project from what you have already identified within the reality check of your neighborhood in Step Two. The following elements must be clarified for any project to be successfully implemented;

- Materials, including all physical resources, such as natural resources, facilities, and the infrastructure;
- Human resources needed to create the project outputs with a focus on skilled personnel, the locally available work force, and its education and training capacity;
- Markets should be thoroughly studied through a market analysis to identify potential customers, their needs and interests, their price range, and how to inform them of the availability of new products or services;

⁶⁴ Blakely, 1994.

- *Management* requires personnel who are visionaries, risk-takers, and innovators, as well as motivators, facilitators, and coordinators among the public sector and the private;
- *Financial resources* are a list of funding resources to finance all costs in planning and implementing a proposed project.

A **management structure and institutional plan** defines who is in charge of, or capable of, planning and implementing a proposed project. The following options should be considered for selecting an institutional framework for project planning and implementation:

1. Does the neighborhood organization in your neighborhood have capacity for planning and implementing the proposed project?
2. Can you establish an implementation organization, such as a Community Development Cooperation⁶⁵, for the project?
3. Can you find any non-profit or for profit institutions in the area to which you can contract out the project?
4. Are there any government agencies engaged in the project related activities in your neighborhood? If so, can you gain support from them or coordinate your project with them?

Again, you have researched major potential institutions in Step Two from which you can select potential institutions for the project. You may want to contact potential implementation organizations about the proposed project at this stage.

2. Select Feasible Projects/Campaigns

Once project action plans are created, they need to pass a viability test through the creation of a detailed project plan. The process includes three tasks: (A) a viability assessment, (B) a detailed feasibility study, and (C) project selection. Some of the information needed for this process are already gathered in the previous steps. The detailed feasibility study examines whether or not it is possible to implement the project. Anything presented here overlooked during project development will jeopardize the success of projects. Task (A) and (B) are particularly important when a proposed project is to establish a community business enterprise, such as cooperatives, and business incubators.

A. Viability Assessment

Viability assessment is a project development stage to decide whether a proposed project is practical enough for your neighborhood to spend human and financial resources to complete the planning phase and proceed to the implementation phase. Examine the viability in relation to four interconnected factors: community, location/market, commercial/business, and implementation.⁶⁶

⁶⁵ See Glossary for the detail.

⁶⁶ Malizia, 1985.

- **Community viability** examines whether or not a proposed project will gain and maintain necessary supports from neighborhood members;
- **Locational viability** starts with finalizing the required resources and their availability, examining the relationship of the project with other proposed projects and goals, and then identifying the required resources, assessment of a potential market for a main project product or service. The market assessment identifies (a) potential customers and their location and reason for their needs and demand, (b) market size and trends of the industry related to the product, (c) strengths and weaknesses of the product to competition, and (d) a possible marketing strategy to capture the customers;
- **Commercial viability** estimates the revenue-raising potential of the project and check if the project can recover its costs. This is especially important for real estate and business development related projects. Knowing the level of risk to capital is a precondition to determine the availability of investors, funders, or reinvestment opportunities;
- **Implementation viability** examines who in your neighborhood has skills and capacity to implement and manage the proposed project.

Based on this information, the planning team (or your neighborhood as a whole) should decide whether to proceed any further with this project. If it decides to proceed, identify concerns and possible problems of the project and go on to the detailed feasibility study.

B. A Detailed Feasibility Study

A detailed feasibility study tries to identify the critical factors affecting each project's potential for success, to specify what conditions or requirements are necessary, and to evaluate the possibility of achieving these requirements. It also explores various options to assess possible success. It starts with the information a planning team has already gathered for the action plan and viability analysis, further investigates the weaknesses identified at that time, and conducts a more thorough analysis under each feasibility factor, especially the financial aspect. Generally, the study should produce a report of 15 to 20 pages for neighborhood members which will be used to create a business plan when the proposed project is selected for implementation.⁶⁷ A business plan is a formal documentation of a project distributed to the external audience. The study includes at least market analysis, financial analysis, and cost-benefit analysis.

- **Market Analysis** closely examines three factors: (1) products or services, (2) total market, and (3) competition. Examine the information you obtained for the locational viability more thoroughly as suggested in Appendix I(1).
- **Financial Analysis** involves six steps: (1) estimate initial financial requirements, (2) conduct break-even analysis, (3) develop financial scenarios, (4) create a projected profit and loss

⁶⁷ Blakely, 1994.

(P&L) statement, (5) create a cash flow projection, and (6) calculate the return on investment ratio. The first five tools determine the financial profitability and debt service capacity of the project and the last one measures the return-on-investment capacity to compare it with that of other proposed projects to help in project selection. See Appendix I(2) for detailed information.

- ***Cost-Benefit Analysis*** tries to examine a proposed project's net contribution to your neighborhood and the economy. It compares the potential overall benefits incurred with the project with opportunities lost because resources which could have been invested in other projects were committed to this particular project. Major steps for the analysis are explained in Appendix I(3).

When feasibility studies are completed for each proposed project, it is helpful to have them reviewed by development experts (or consultants) in order to improve the accuracy of the projections and confirm the validity of the findings.

C. Project/Campaign Selection

Now, each of the finalized project feasibility studies should be assessed by your neighborhood (i.e., an economic development committee that represents your neighborhood) to **decide whether to implement the projects**. At least **four neighborhood meetings** are should be held to make the final project selection.⁶⁸ The first meeting provides basic information on feasibility studies and critical points for the evaluation as well as a review of the vision, goals, and criteria of your neighborhood. The second meeting is a presentation and discussion of the study results. The third meeting is a community briefing to explain the project potential and explore other benefits and costs. Use Worksheet 7 in Appendix A to evaluate each project. The forth meeting is for final decision making. It is recommended that one project be implemented at a time to minimize risks.

⁶⁸ Blakely, 1994.

Tips for Selecting and Prioritizing Projects/Campaigns

Kinsley (1997) suggests a risk averse approach to prioritize development projects and campaigns to develop stronger neighborhood economy. In his book he suggests the following approach:

1. Start with the demand side of the economy to plug the leaks of the neighborhood economy. Encourage local spending to increase circulation of money within the formal economy and informal economy such as a barter network. (Plug the leaks);
2. Deal with the supply side of the economy by supporting existing businesses. They are often small, resident-owned, and more committed to neighborhood affairs. (Support existing businesses);
3. Move on to potential economic players within your neighborhood to encourage new local (and often small) enterprise. The first two steps will create a positive business climate. Business incubators and small local funds are examples. (Support existing businesses);
4. Recruit compatible new business and larger employers.

“Do better with what you have, instead of seeking ‘saviors’ from outside the community such as footloose companies and government programs.”⁶⁹ Use these tips when evaluating proposed projects in Worksheet 7 in Appendix A.

3. Implement the Selected Projects/Campaigns

Now that your neighborhood has selected the projects, negotiate and collaborate with potential implementation agencies to go through the following steps. The degree of neighborhood involvement here depends on the nature of the project and its relationship, or a contract, with an implementation agency.

First, create “**Business Plan**” for the project. A business plan is a documentation of how the venture project will operate and the assumptions on which the operation is based. *Many of the components of the plan can be based on the feasibility studies conducted in the previous section (new components are underlined).* A business plan explains how the project will be implemented and is also a final check on project feasibility. It is used for fundraising and to negotiate with private investors and political institutions. While there is no specific format for a business plan, Blakely (1994) specified the following components to be discussed in the plan:

- The industry and businesses targeted by the project, including the history and trends;
- The product or service of the project;
- The market, including the size, trends, competition, and market share projections;
- A marketing plan, including pricing, distribution, and promotion;
- Pre-start-up and start-up plans and time schedules;

⁶⁹ Kinsley, 1997.

- Operating/manufacturing plans;
- Organization and management, including job descriptions, personnel needs, lines of authorities, wages, skills and experience of key personnel;
- Benefits to your neighborhood, including economic impacts, human development, and other social impacts;
- Financial plans, including initial capitalization, proposed financing, and projected financial statements (i.e., balance sheets, profit and loss statements, and cash flow and break-even analysis from the previous step);
- Monitoring and evaluation plans (discussed in the following section);
- A discussion of critical risks and assumptions associated with the project (You must have discussed them throughout the process. For example, "If *Event A* happens, we will need to do...", or "We predict that there *will be a 10% increase in job openings in our neighborhood in the next three years*. Thus...". So, document them.)

There are many published guidebooks for preparation of a business plan available at bookstores and libraries. You may need professional assistance for the format, review and confirmation of the contents of the business plan.

Second, develop a **project/campaign monitoring and evaluation plan**. The purpose of this plan is (1) to review the project activities to make sure that the project is proceeding in accordance with goals and (2) to find out how much the project has achieved. Based on this, the project may need to be redefined or its components modified. This is an ongoing activity from project planning until after project completion. There are six major components to create a monitoring and evaluation program:

1. **Identify criteria** including time schedule, cost and budget limits, productivity output targets, and final benefits and effects. They are already identified in the cost-benefit analysis and other previous studies. The benefits may include:
 - A specific number of job opportunities for neighborhood residents;
 - Opportunities for management skill development and job advancement;
 - A change in flow of money in the neighborhood economy;
 - Project self-sufficiency;
 - Facilitation of community development;
 - Infrastructure development;
 - Provision of quality goods and services;
 - Educational opportunities in the neighborhood;
 - Community ownership, control, and decision making opportunities.

Studying actual outcomes of other neighborhoods which have implemented the same or similar projects can help you set up the criteria. Criteria should be specifically defined, including when and how much of the criteria is to be achieved. Some criteria can be observed during the projects, while others what be seen into long after project completion;

1. **Decide a monitoring/evaluation system.** There are two types of methods to consider: monitoring and impact/outcome evaluation:
 - **Monitoring**, or formative/process evaluation, examines how closely the project is being implemented compared to how it was planned. Timely evaluation of all activities and performances is crucial for project modification success. "Successful project monitoring requires continual sensitivity to changing conditions, a focus on the project objectives, and a discipline in the group to meet commitments. The monitoring process involves three major areas: (1) the people, (2) the sequence of events, activities, and (3) direction, and project reviews."⁷⁰ Your neighborhood needs to assign project managers to this task or make the implementation organization accountable to the neighborhood;
 - **Impact/outcome Evaluation** determines how much the project is creating expected results. One way is to simply track down data for the criteria (through surveys, interviews, and focused discussions) to see if there is any improvement during or after the project implementation and to compare the data with projected outcomes. However, it is unclear how much of the change can truly be attributed to the project. To be more accurate in the evaluation, you need to set up a control or comparison group (a group of people or another neighborhood with similar characteristics to the project's target group but not included in or affected by the project). Then comparative analysis can be conducted to measure the effectiveness by comparing data from the project participants (your neighborhood) with that from a control group (the other neighborhood);⁷¹
2. Create **a time Schedule** for the evaluation. It should include when to collect and process what data from who and how. Timing depends on the project gestation period (i.e., Benefits may not appear until a considerable time after the project was implemented.⁷²).
3. Estimate **a budget** for monitoring and evaluation. The evaluation should cost between 5% and 10% of the total project budget;
4. Select **a team of project evaluators** from within or outside your neighborhood. It should include both technical and project management experts. Also, the evaluation should assume a comprehensive point of view over the entire project instead of looking at each component separately;
5. **Consistency of the project documentation**, including the format and key components for project activity reports and memos, will not only save time and money but also increase the accuracy of the evaluation. A data bank of project related materials is a good example.

⁷⁰ Gaynor, 1996.

⁷¹ For detailed information for project/program evaluation, see "Thinking About Program Evaluation" by Richard A. Berk and Peter H. Rossi (1990) Sage Publications, Newbury Park, CA or "Evaluation Strategies for Human Services Programs," by Adele Harrell et. al. (1996) Urban Institute, Washington DC.

⁷² Gow and Morss, 1988.

Third, prepare an **overall project implementation plan**. Tasks involved here are (1) to prepare a project implementation schedule, (2) to develop an overall development program, and (3) to secure financial resources by utilizing neighborhood assets or doing fundraising.⁷³

1. A **project/campaign implementation schedule** includes specification of detailed tasks along with the time frame (starting and finishing date and the duration) and allocation of the tasks to personnel and other resources to each task. The schedule can be created by your neighborhood and an implementation organization. The degree of the neighborhood's involvement here depends on its relationship to the organization and its capacity. While avoiding micromanagement, the neighborhood needs to be aware of the implementation process to some degree. Periodical project review meetings with a project manager can inform the neighborhood of the progress of the project and also help solve problems that emerge during implementation;
2. An **overall development plan** consisting of all selected projects and campaigns. This should be consistent with the goals and the vision of the committee;
3. **Securing financial resources** required for project implementation by utilizing neighborhood assets and/or doing fundraising. This will be done based on the financial scenario and the business plan created in the previous section. This requires strong participation of neighborhood members with the cooperation of the implementation organization.

Tips for Managing Projects

Much of the detail in the actual implementation may vary with the nature of the project and the relationship of your neighborhood to the implementation organization. However, J. Davidson Frame (1995) points out the following three principal factors for project failure in his book, "Managing Projects in Organizations":

1. **Organizational factor.** A project manager lacks capacity to coordinate and authority to influence project actors and does not receive stable financial or other supports from the organization and the neighborhood;
2. **Poorly identified customer needs and inadequately specified project requirements;**
3. **Poor planning and control (monitoring).**⁷⁴

Once project implementation has started, the planning team monitors progress by holding periodic (i.e., monthly) meetings with a project manager and evaluation team. The team also is responsible for letting neighborhood members know that implementation is happening through neighborhood meetings, neighborhood papers, and flyers.

⁷³ Blakely, 1994.

⁷⁴ His book further explains how to implement and manage a project by avoiding these three major pitfalls.

Step 6: Evaluate the Neighborhood Economic Development Process

The last component of the neighborhood economic development process is evaluation. Evaluation here is a summary of the project/campaign monitoring and impact evaluation discussed in the previous step. Here your neighborhood should examine all projects/campaigns under planning and implementation in your neighborhood together. First, compile all accomplishments of these projects every (two) year(s). For example, include completed the planning phase of a project, purchase of a building for a neighborhood credit union, obtaining of the funding for a project/campaign, and the opening of a neighborhood business. It can also include presentation of surveys and research, information related to neighborhood affairs, including the number of new business establishment and a total amount of saving at the credit union in your neighborhood. Hold a "neighborhood celebration" to present them and to recognize people's work and the effort put into the accomplishments.

Second, review all steps of the neighborhood economic development process: the neighborhood's Vision, Reality, Goals and Criteria, Strategies, and Projects in the evaluation sessions with project monitoring teams. Discuss where your neighborhood is in the overall development plan. The Reality of the neighborhood is more likely to change over time. You may have to update some of the studies that you have conducted in Step Two. Try to find new opportunities, from physical facilities to political alliance, for neighborhood economic development. Questions that you can pose during the evaluation session are:

- ? Do the steps still fit well together in the framework of your neighborhood economic development?
- ? Are the projects' accomplishments effective in achieving the Vision and Goals?
- ? Do they also comply with the Criteria?
- ? If you have identified new opportunities, do they fit the existing Goals, Criteria, Strategies, and Projects/Campaigns?

If an answer to any of the first three questions seems negative, you have to further investigate them by holding focus discussions or conducting a survey to make necessary modifications. They will be presented and discussed in the neighborhood summit as well.

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Appendix A: Worksheets for Steps in Neighborhood Economic Development Process¹

Worksheet 1: A Vision of Our Neighborhood's Future

What kind of neighborhood do we want our neighborhood to be?

What are the strengths of our neighborhood?

What do we like about our neighborhood?

What would we like to change about in our neighborhood?

What do we dislike about our neighborhood?

When these changes have been made, what will our neighborhood be like?

¹ Modified from the worksheets for "Economic Renewal Guide" by Michael Kinsley (1997).

Worksheet 2: Reality of Our Neighborhood

What are our **opportunities** for Neighborhood Economic Development?

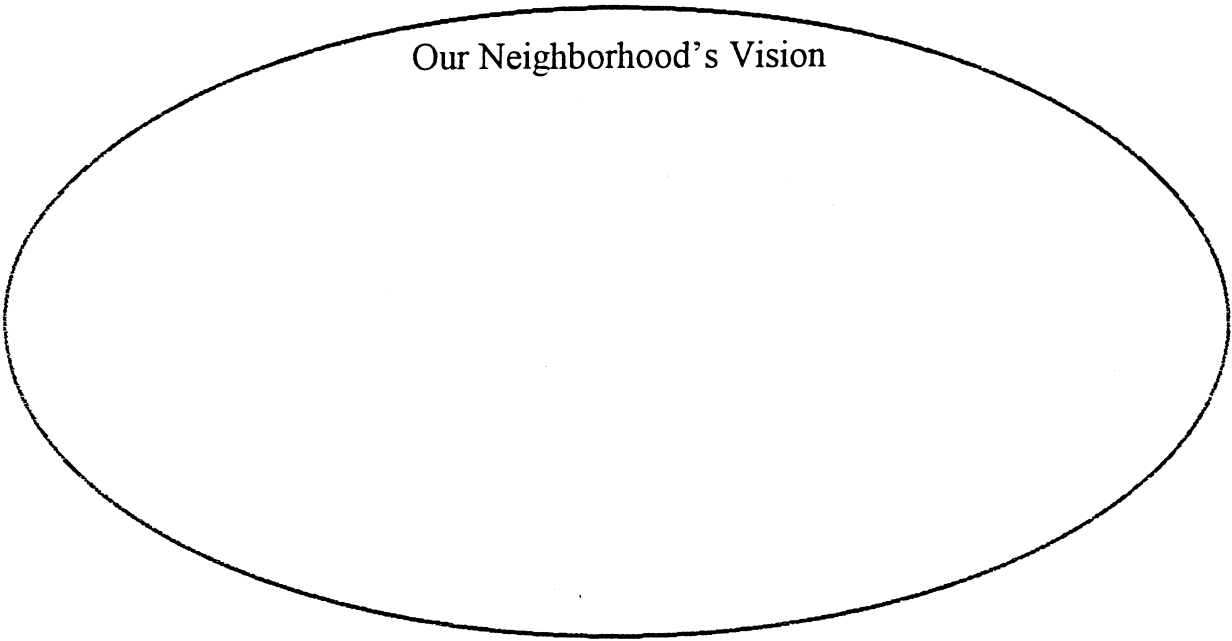
- People
- Businesses
- Physical assets
- External assets (ex. business outside your neighborhood)

What are our **challenges** and **needs**?

What **resources** do we have for neighborhood economic development?

Worksheet 3: Our Goals and Criteria

Our Neighborhood's Vision



Our Neighborhood Economic Development Goals

-
-
-
-

Our Criteria/Value

- *
- *
- *
- *
- *

Worksheet 4: Our Strategies

How can we achieve our vision and goals?

Our Strategy: _____

What goals does this strategy try to accomplish?

What/who are the target of this strategy?

Methods of neighborhood economic development

Who is going to be in charge of planning and implementing?

Time frame and short-term goals

Worksheet 5: Proposed Project Description

1. **What is the project?** Consider the following questions:

Does it have several component projects or phases? Is it a series or group of projects? If so, does success require that they all proceed? Or, should we pick one of the projects, phases, or components to evaluate now, and wait to consider others later?

2. **What would the project achieve? Why should we do it?**

3. **What problems would the project solve, what needs would it fulfill, or what barriers to success would it address?**

4. **Whom would it benefit?**

- ☐ The entire neighborhood
- ☐ One part of our neighborhood
→ Which part?

→ Would it harm other parts of our neighborhood?

5. **The project would require:**

☐ Organizations → non-profits / government agencies / the private sector

☐ Paid staff → How many? _____

☐ Volunteers → How many? _____

☐ Technical assistance → What type of assistance?

☐ Equipment

☐ Construction

☐ Financing → What is the financial resource?

Worksheet 6: A Project Action Plan

Proposed Project: _____

Expected outcomes:

- Products or services
- Employment impacts
- Linkages and spin-offs
- Community improvement

Project inputs:

- Materials
- Human resources
- Markets
- Management
- Financial resources

A management structure and institutional plan

Does the neighborhood organization in your neighborhood have a capacity for planning and implementation of a proposed project?

☐ Yes ☐ No

Can you establish an implementation organization, such as a Community Development Corporation, for the project?

☐ Yes ☐ No

Can you find any non-profit or for profit institutions in the area to which you can contract out the project?

☐ Yes ☐ No

Are there any government agencies engaging in project related activities in your neighborhood? If so, can you gain support from them or coordinate your project with them?

☐ Yes ☐ No

Potential organizations: _____

Worksheet 7: Proposed Project Evaluation

Evaluate the relative strengths and weaknesses of your proposed project.

Proposed Project: _____

1. Problems and needs

Would the project actually address our neighborhood's problems and needs?

☐ Yes ☐ No ☐ Uncertain

Comments:

2. Preferred future

In judging the project's compatibility with the neighborhood's vision and goals, consider these questions:

Would it truly improve our neighborhood? Or, would it spoil something your neighborhood wants to preserve? Would it disregard important neighborhood values?

Would it obstruct important neighborhood goals? Would it prevent positive change?

Overall compatibility with our neighborhood's vision and goals:

☐ High ☐ Moderate ☐ Low

Comments:

3. Environment

What would the project change about the environment? Would that change be acceptable to our neighborhood? What would the indirect, long-term, or cumulative impacts be? What waste would be produced? Where would it wind up? If the project involves hazardous material, how would they be handled?

Overall environmental impact:

☐ Positive ☐ Neutral ☐ Negative

Comments:

4. Fairness

Would the project unfairly burden a particular part of our neighborhood? Who would pay for the project? Who would benefit and who would be harmed? Fairness issues are hard to assess, but asking these questions will help you set aside blatantly unfair projects:

Fairness rating:

☐ Good ☐ So-so ☐ Poor

Comments:

5. "Social capital"

Would the project increase or decrease trust, neighborliness, and the capacity of people to work together? Would it enhance or damage our neighborhood's networks of relationships? Would it increase residents' ability to come together to work, play, or socialize?

Net contribution to our neighborhood's "social capital":

☐ Positive ☐ Neutral ☐ Negative

Comments:

6. Sustainability

A project isn't sustainable if it depletes our neighborhood's resources or has significant, negative indirect or long-term effects. If it is not sustainable, it will not build our neighborhood for the future; it will begin to tear our neighborhood down. Like fairness, sustainability is difficult to determine, but well worth considering.

Sustainability:

☐ Good ☐ So-so ☐ Poor

Comments:

7. Controversy

Would the project be controversial? Are certain residents likely to be upset by it or try to stop it? Can we reach a consensus to with proceed the project? The fact that someone may oppose a project may not be sufficient reason to reject it, but all things being equal, non-controversial projects are preferable.

Potential for controversy:

☐ High ☐ Moderate ☐ Low

Comments?

8. Leadership

Who would be responsible for getting the project going?

☐ Volunteers ☐ Government ☐ Nonprofit groups
☐ Church ☐ Business ☐ Residents
☐ Neighborhood association

Can you name them?

9. Cost

Low-cost projects can be done with volunteers and donated resources. Medium-cost projects require more substantial sums and possibly even grants or financing, while high-cost projects require major financing that will take many years to pay back.

Likely cost:

☐ High ☐ Medium ☐ Low

Can you come up with approximate total cost?

\$ _____

10. Difficulty

Is the project realistic, acceptable, and technically feasible? Are resources available for it? How difficult would it be to accomplish?

☐ Hard ☐ Medium ☐ Easy

Comments?

11. Time frame

When would tangible results be seen?

☐ Short (less than a year)
☐ Medium (1-2 years)
☐ Long (more than 3 years)

Any comments?

12. Economic Benefits (See "Tips for Selecting and Prioritizing Projects/Campaigns" in Part II)

☐ Plug the leaks of the neighborhood economy
☐ Support existing business
☐ Create new local enterprise
☐ Recruit compatible business

Any comments?

Additional considerations:

13. What are the project's weaknesses or problems?

14. Could the project be changed to address these weaknesses? If so, how?

15. Based on what you know so far, should this project be developed?

☐ Yes ☐ Maybe ☐ No

Comments?

16. How would you rate the project?

☐ High priority ☐ Medium priority ☐ Low priority

Any comments?

17. Are there important questions about the project that need further examination? If so, what are they? Could answering these questions be made into a project itself?

Worksheet 7: Result of Project Evaluation

Proposed Project							
Problem /Needs							
Vision/Goals							
Environment							
Social Capital							
Sustainability							
Controversy							
Leadership							
Costs							
Difficulty							
Time Frame							
Economic Benefits							
Other Comments							

Appendix B: Focus of Analysis on Neighborhood Demographic Profile

Consider the following set of questions when compiling and analyzing demographic data that you have gathered:

Population

- How many people live in your neighborhood?
- What are the composition of the population? Younger, working, or elderly population?
- What is the racial and/or gender composition?
- What types of households are most common?
- Are these data significantly different from at of the city or other neighborhoods and how?
- Have these characteristics changed over time?

Education Attainment and Employment

- What are the educational levels of the working population?
- Is there any specific ethnic group which is disadvantaged in educational attainment?
- What kind of occupation do the working population have?
- Do the working population work close to home?
- What is unemployment level?
- Are there any service available for the unemployed to regain employment? What kind of placement and/or training assistance is available?
- Are these data significantly different from that of the city or other neighborhoods and how?

Income and Poverty

- How much per capita income or household income do residents earn?
- Is per-capita income more or less than the city average or that of other neighborhoods?
- How many people/households live below the poverty level?
- How may people/households receive public assistance?
- Are these data significantly different from those of the city or other neighborhoods and how?
- Have these characteristics changed over time?

Housing and Amenities

- How many people own housing and how many rent?
- What is the housing value and is it increasing/decreasing over time?
- How old is the housing?
- How well is this housing equipped or managed?
- Are there any cultural and recreational centers and parks in your neighborhood?
- Are these data significantly different from those of the city or other neighborhoods and why?

By answering these questions, try to identify strengths and weaknesses of the neighborhood residents. Also, you should think about relations among these factors, what needs to be done to improve weaknesses, and where economic development can improve. Use Worksheet 1 and 2 in Appendix A.

Appendix C: Resources for Neighborhood Economic Development

1. Public Libraries and Public Agencies

Government Publications Library, University of Minnesota:

- **Wilson Library (West Bank Campus)**

309 19th Avenue South, Minneapolis, MN 55455

(612) 623-5073

Regular hours: 9AM-8PM (Mon.-Tus.), 9AM-5PM (Wed.-Fri.), 1-5PM (Sat.)

- **St. Paul Central Library**

1984 Buford Av., St. Paul, MN

(612) 624-2233

Hennepin County Library:

7001 York Avenue South, Edina

(612) 830-4900

Minneapolis Public Library and Information Center:

300 Nicollet Mall, Minneapolis

(612) 372-6633

St. Paul Public Library:

90 West Fourth Street, St. Paul

(612) 292-6307

Community Information Clearinghouse (The Urban Coalition):

2610 University Avenue South, Room 320, St. Paul

(612) 348-8550

James J. Hill Reference Library:

80 West Fourth Street, St. Paul, MN 55102

phone: (612) 227-9531, fax/administration: (612) 297-6198, fax/HillSearchSM: (612) 222-4139,

e-mail for general information: info@jjhill.org,

Home Page: <http://www.jjhill.org/index.html>

Hennepin County Census Analysis Center: (612) 348-7465

Machine Readable Data Center: (612) 624-6370

Metropolitan Council Data Center: (612) 291-8140

Minneapolis Planning Department: (612) 673-2597

Minnesota State Demographer's Census Hot Line: (612) 296-2557

St. Paul Department of Planning and Economic Development: (612) 228-3367

2. Resources for Community Planning²

Center for Urban and Regional Affairs (CURA), University of Minnesota:

CURA connects University faculty and students with the people and public institutions working on significant community issues in Minnesota. CURA encourages and helps support University faculty and students (usually graduate students) who work on research projects growing out of major issues of public concern to the citizens of Minnesota. In virtually all cases this research is done in conjunction with persons, agencies, or community groups outside the University, often those in the public sector at the local, regional, or state level. Sometimes CURA projects are proposed by persons or groups in the community, sometimes they are initiated by faculty members or students at the University, and sometimes they result from internal CURA staff discussions. CURA's mission is University-wide. CURA acts as a clearinghouse, making it possible for all parts of the University to share their expertise and resources with community groups and public agencies.

330 HHH Center, 301 19th Avenue S. Minneapolis, MN 55455

Phone: (612) 625-1551, Fax: (612) 626-0273

Hours: Monday through Friday 8:00 a.m. to 4:30 p.m.

<http://www.umn.edu/cura/>

Neighborhood Planning for Community Revitalization:

The Neighborhood Planning for Community Revitalization (NPCR) program is a new effort to provide applied research assistance to community-based organizations in the Twin Cities. It is funded by the U.S. Department of Education Urban Community Service Program, St. Paul Companies, St. Paul Foundation, Local Initiative Support Corporation (LISC) and the McKnight Foundation. The University of Minnesota Center for Urban and Regional Affairs (CURA) shares responsibility for the operation of the program with the members of the governing consortium: Augsburg College, College of St. Catherine, Hamline University, Macalaster College, Metropolitan State University, Minneapolis Community College, University of Minnesota, University of St. Thomas, and various community representatives. The primary responsibility of the NPCR program is to enhance the capacity of Twin Cities community-based organizations through access to research resources at Twin cities academic institutions. The secondary goal of NPCR is to provide faculty and students of local post-secondary educational institutions with increased opportunities for completing useful, neighborhood-driven applied research learning projects.

Kris Nelson, Director

NPCR is located in the CURA offices

Phone: 612.625-1551

E-mail: nels193@maroon.tc.umn.edu

Home Page: <http://freenet.msp.mn.us/org/npcr/>

The Urban Coalition:

The Urban Coalition is part of the Alliance for Metropolitan Stability, a coalition calling for action to address the interrelated problems facing the Twin Cities region. Founded in 1968, the

² Resource: Home Page: <http://freenet.mnp.mn.us/commplan/resources.html>

Coalition is a non-profit organization that pursues its mission through research, public policy, technical assistance, advocacy and capacity-building. In recent years, the Coalition has focused on education, employment, food and hunger, health, and issues of race, although it may become involved in other issues as invited, or as they arise. In the spirit of true coalition, the Coalition is involved in multiple collaborative efforts with other organizations and key stakeholders in our community.

Phone: (612) 348-8550
2610 University Avenue West, Suite 201, St. Paul, MN 55114
malkis@freenet.msp.mn.us
Home Page: http://freenet.msp.mn.us/ip/resource/urb_coalition/

Minnesota Design Team:

A volunteer group of architects, urban designers, planners and other experts in design and community development that has been helping communities around Minnesota to develop shared visions for improving their physical and environmental designs since 1983.

AIA-Minnesota, Suite 54, 275 Market Street Minneapolis, MN
Voicemail: (612) 339-3577
Home Page: <http://www.mes.umn.edu/~MDT/>

ARL Urban Atlas:

The ARL Electronic Atlas Project is a collaborative effort of participants in the Association of Research Libraries GIS Literacy Project. Maps in this Electronic Atlas have been created using ArcView software from Environmental Systems Research Institute, Inc. (ESRI), boundary map files from Wessex, Inc., and statistical data from the U.S. Bureau of the Census. Support is also provided by Erdas, Inc.

John R. Borchert Map Library, University of Minnesota
S 76 Wilson Library, 309 19th Avenue South Minneapolis, MN 55455-0414
Home Page: <http://www-map.lib.umn.edu/atlas/1990/MN/twin-cities/maps.html>

The Design Center for American Landscape (DC/AUL):

The Design Center for American Urban Landscape (DC/AUL) is a research center at the University of Minnesota within the College of Architecture and Landscape Architecture (CALA). Established in 1988, the center is focused on addressing environmental and social issues through design.

Suite 222 , 1313 Fifth Street SE , Minneapolis, MN 55414-1546 USA
e-mail: dcaul@gold.tc.umn.edu
Home Page: <http://gumby.arch.umn.edu/dcaul/dcaul.html>

Appendix D: Focus of Analysis on Neighborhood Business

The following questions help you create your neighborhood profile using data you collected:

Basic Business Information

- What is the sector distribution of businesses (i.e., manufacturing, retail, wholesales, services, etc.) in your neighborhood?
- What is the sales distribution of businesses in your neighborhood?
- What is the size distribution of businesses in your neighborhood?
- Are these distributions significantly different from that of the city?
- What are fast growing and slow growing sectors of the economy?

Employment

- How many people are employed by the businesses within your neighborhood?
- What kind of jobs are they engaging in? (i.e., labor, manufacturing, service, office assistant, management, health care, shipping & warehouse, sales, and drivers.)
- What are the qualifications (education, experience, skills) for these jobs?
- How much wage/salary do these jobs make?
- What kind of benefits do they receive?
- Is there any on-the-job training available for them?
- What many of business employers are residents in your neighborhood?

Business Activities

- What are the major goods and services purchased by businesses?
- Where do they purchase them from? Within your neighborhood?
- Where do they see their competitors? Within your neighborhood?
- Where are they main individual or institutional customers located? Within your neighborhood?
- What advantages and disadvantages do businesses think your neighborhood has?
- Do they belong to a neighborhood business associations or a block club?
- Do they participate in neighborhood affairs or are they willing to do so? (i.e., committees, jobs placement and training)

Commercial Area

- Do clustered businesses describe a commercial center in the area?
- What is the function of the commercial area: local retails, destinational retails, services, (light) industrial sector?
- Who do they serve?
- How do the majority of customers get there: on foot, by car, or by public transportation?
- What is the transportation access to the area: highway exists, popular bus stops, parking space?

Future Prospects

- Are businesses planning to expand in the future (i.e., the next five years)?
- Are they planning to hire more people?
- Are they planning to stay in your neighborhood?

Appendix E: Creating A Neighborhood Land Use Map (Resources at the Minneapolis Public Works Department)

The Minneapolis Public Works Department's "Print Room" has map resources available for public use. The "Print Room" contains sample maps of various styles that illustrate a spectrum of data. For example, pre-made Homestead and Condition maps are available at the neighborhood as well as at the county level. Also, zoning maps, property use codes, residential value change, and market value of residential property maps, are available. The Print Room contains a variety of data that could be mapped to your specifications or by the pre-defined computer generated maps based on the most commonly requested information.

Contact Person: Tim David
Telephone: (612) 673-2431
Location: 309 2nd Avenue South Room 301 Minneapolis, MN 55401

Costs:

Pre-made maps: \$10
Cookbook maps: \$10
Customized maps: \$10 - \$35

* Costs of maps can be defrayed if requested by a council person. Written authorization by the council person's office is requested in order to receive the fee waiver or reduction.

Procedures:

1. Generate specific questions that you would like the map to answer to help the personnel at Public Works produce the most effective map;
2. Have your subject are defined prior to visiting the Print Room;
3. If you would like your own data mapped, the preferred format is comma delimited;
4. Map generation usually requires 3 to 4 working days, therefore prepare well in advance and do not expect overnight products;

* Map requests are not taken over the telephone.

Appendix F: Information on Political Institutions

Minneapolis Community Development Agency (MCDA)

MCDA is the housing and economic redevelopment arm of the City of Minneapolis. It aims at stabilizing and improving neighborhoods, creating a thriving economic climate and preserving the quality of life that local businesses, residents and visitors enjoy. It provides funding and programs for housing development, business development to increase local employment, neighborhood stabilization and revitalization, removal of blighted properties, and downtown and river front improvement. Mainly, MCDA directly provides financial and technical supports through Neighborhood Revitalization Program (NRP) and grants for neighborhood self-help projects that promote community building.

phone (612) 673-5100, fax (612) 673-5100, e-mail available
200 Crown Roller Mill, 105 Fifth Avenue South, South Minneapolis, MN 55401
Home Page: <http://www.mtn.org/mcda>

Metropolitan Council of the Twin Cities Area (The Met Council)

The Met Council is a government agency which conducts long-term planning in coordination with local governments and other organizations to guide growth and development in the Twin Cities Metro Area. It also operates the regional transit and waste water collection and treatment services, and is the metropolitan housing and redevelopment authority. The planning issues include airports, economic development, housing, land use, regional finance, parks, water quality and supply, and transportation. Its Regional Blueprint is an overall policy plan which establishes regional goals and actions needed by the Met Council and the public and private sectors. The Blueprint, other publications, and maps are available at the Metro Council Data Center (phone: 291-8140). Also, the Council's Regional Data Center is a clearinghouse of information about the region including population, housing, urban trends and forecasts, and regional parks available in the newsletter and research reports at little costs. Recently, the Council started providing grants to neighborhood economic development projects.

phone (612)291-8140
Executive Staff: Jim Solem and Richard Johnson
Metro Park Centre 230 East Fifth Street St. Paul, MN 55101-1634
Home Page: <http://www.mtn.org/mcda/>

County Governments

County governments provide children and family services, community health, economic assistance including child support, food stamps, medical assistance, libraries, Medical Center, taxpayers services, training and employment assistance, and many others.

For Hennepin County: phone (612)348-3000, TDD (612)348-6646,
e-mail Henn.Net@co.hennepin.mn.us
300 South Sixth Street, Minneapolis, MN 55487
Home Page: <http://www.co.hennepin.mn.us/>

For Ramsey County: phone (612) 266-2700, TDD (612) 266-2728,
 fax (612) 266-2727
 430 RCGC West, 50 West Kellogg Boulevard, Saint Paul, MN 55102
 Home Page: <http://www.co.ramsey.mn.us/>

City of Minneapolis

The Minneapolis city government has many departments related to neighborhood economic development issues:

- Assessor's Office values and classifies all real estate in the city so that the tax base can be determined.
- Neighborhood Services oversees a variety of human-service programs. Most of the human services are funded by non-City resources, such as state and federal government and private foundations. Neighborhood Services works with NRP neighborhoods and represents the City on task forces and committees involving human service issues. The main programs and support provided by Neighborhood Services are:
 - ◆ Chamber of Commerce's Regional Economic Development Plan
 - ◆ Community Resource Program
 - ◆ Community Development Block Grant
 - ◆ Contract Management
 - ◆ Housing Services
 - ◆ Jump Start
 - * Minneapolis Employment and Training
 - * New Work Force (facilitated through the Youth Trust)
 - * School or Human Services Redesign Initiative.
- Planning provides information and public policy options to elected officials based on sound research and analysis, develops and maintains the City's comprehensive plan, plans for geographic areas of the City at the neighborhood or community level and in functional areas such as transportation, economic development, and housing, maintains development controls by receiving and making recommendations on development proposals, zoning change requests, environmental impacts, and others.
- Public Works has the following functions:
 - ◆ Engineering design to design and improve roads, alleys, sewers, and bridges.
 - ◆ Engineering operations, including sidewalk inspection, street maintenance and repair, street cleaning, and snow and ice removal
 - ◆ Solid waste & recycling
 - ◆ Transportation
 - ◆ GIS Print Room
- Regulatory Services is in charge of inspections, licenses and consumer services. It is charged with the responsibility of protecting the health, safety and welfare of Minneapolis residents through a program of regulation, inspection, testing, and enforcement of laws and ordinances pertaining to licensed business establishments, building inspection, housing inspection, plan review, zoning administration, pollution control, parking regulation/collection, weights and measures, trucking enforcement, and consumer protection.

Call (612) 673-3000 for assistance in finding information
or services (TDD (612) 673-2157)
or First Call for Help (612) 335-5000
Home Page: <http://www.mtn.org/mcda/>

The Saint Paul Port Authority

The St. Paul Port Authority is an agency of the City of St. Paul which aims to foster regional job growth by assisting expanding industrial and manufacturing firms to meet their real estate, financial, technical, and regulatory needs. It offers real estate and equipment financing, working capital loan guarantees, customized job training programs for new employees, various one-stop business services tailored to business needs, and referrals and technical assistance.

phone (800)328-8417, fax (612) 223-5198
1900 Landmark Towers 345 St. Peter Street St. Paul, MN 55102
Home Page: <http://pages.prodilgy.com/MN/portweb/>

Department of Planning and Economic Development, the City of St. Paul

The Department of Planning and Economic Development is responsible for economic development, neighborhoods and housing, and planning, and has a similar functions to that of Department of Neighborhood Services, Department of Planning, and MCDA for Minneapolis.

Pamela Wheelock, Director
1300 City Hall Annex, 25 West Fourth Street St. Paul, MN 55102
phone: (612) 266-6628
fax: (612) 288-3261

State of Minnesota

The state departments that engage in economic development include: Department of Commerce, Economic Security, Children, Families and Learning, Minnesota Planning, Labor and Industry, Pollution Control Agency, Public Health, and Public Services.

For general information: (612) 296-6013 (or dial 0 from a state phone)
Monday-Friday, 7:30 AM-4:30 PM

Office of Community Planning and Development (US Department of Housing and Urban Development)

Its mission is to help people create communities of opportunity. The Community Development Grants program provides annual grants for a wide range of activities directed toward neighborhood revitalization, economic development, and improved community facilities and services.

(202) 708 - 0270
451 Seventh Street Southwest, Washington, DC 20410
<http://www.hud.gov/prgcednp.html>

Appendix G: West Site River Valley Development Worksheet³

Principle of Accessibility

Riverfront development shall be consistent with a community vision of pedestrian corridors buffered from traffic which invite residents to enjoy affordable activities on the riverfront in all seasons.

Does the proposed development.....

- | | |
|--|----------------------|
| 1. ...preserve the ability to view the river from the West Side bluffs? | 0 / 1 / 2 / ? / na.* |
| 2. ...ensure free and easy public access to the river? | 0 / 1 / 2 / ? / na. |
| 3. ...contribute to a network of pedestrian connections? | 0 / 1 / 2 / ? / na. |
| 4. ...support activity year-round? | 0 / 1 / 2 / ? / na. |
| 5. ...provide goods, services, and activities affordable to West Side residents? | 0 / 1 / 2 / ? / na. |

Subtotal = 2 X _____

* 0 = does not meet criteria, 1 = satisfies criteria, 2 = exceeds criteria, ? = more information needed, na. = proposal does not deal with this criteria

Notes and Comments:

Principle of Connectedness

Riverfront development shall incorporate the character and culture of the West Side. Projects must provide a clear and define connection with the aesthetics and spirit of the existing neighborhood. In addition, development should enhance transportation and relational linkages between the West Side and other riverfront communities.

- | | |
|--|---------------------|
| 6. ...make a clear and definite connection with the aesthetics of the existing neighborhood? | 0 / 1 / 2 / ? / na. |
| 7. ...provide transportation links that support pedestrian access? | 0 / 1 / 2 / ? / na. |
| 8. ...provide pedestrian links to transit? | 0 / 1 / 2 / ? / na. |
| 9. ...make visual connections between the bluffs and the river? | 0 / 1 / 2 / ? / na. |
| 10. ...Improve bicycle and transit links between the West Side and downtown? | 0 / 1 / 2 / ? / na. |
| 11. ...Build on West Side traditions? | 0 / 1 / 2 / ? / na. |

Subtotal = 2 X _____

Notes and Comments:

³ Copied from Nelson & Johnson (1996).

Principle of Opportunity

Riverfront development shall provide job and business opportunities for West Side residents and community development opportunities for the neighborhood as a whole through such projects as business incubators, youth development and educational activities, and the establishment of a community trust fund.

- 12. ...not harm the existing economy of the West Side, especially small businesses? 0 / 1 / 2 / ? / na.
- 13. ...encourage locally owned business development? 0 / 1 / 2 / ? / na.
- 14. ...expand opportunities for new West Side small businesses? 0 / 1 / 2 / ? / na.
- 15. ...offer only full time and long term employment opportunities for West Side residents? 0 / 1 / 2 / ? / na.
- 16. ...provide wage rates sufficient to support a family? 0 / 1 / 2 / ? / na.
- 17. ...provide opportunities for youth development? 0 / 1 / 2 / ? / na.
- 18. ...provide resources appropriate to scale that are helpful to the West Side? 0 / 1 / 2 / ? / na.

Subtotal = 2 X _____

Notes and Comments:

Principle of Quality

Riverfront development shall respect that the West Side is first and foremost a place where people live, thereby protecting the residents' ability to peacefully enjoy their homes and neighborhood?

- 19. ...not add to noise, pollution, or disruptive traffic on the West Side? 0 / 1 / 2 / ? / na.
- 20. ...provide for personal safety, protection for property, and adequate lighting? 0 / 1 / 2 / ? / na.
- 21. ...protect natural resources? 0 / 1 / 2 / ? / na.
- 22. ...not negatively impact the quality of the river water? 0 / 1 / 2 / ? / na.
- 23. ...maintain the approachable human scale of the West Side neighborhood? 0 / 1 / 2 / ? / na.

Subtotal = 2 X _____

Notes and Comments:

Total score: Subtotals of (Accessibility + Connectedness + Opportunity + Quality)

Appendix H: Implementation Process for Strategic Options⁴

(1) Organizing for Economic Development (Campaigns)

The organizing process can empower a great number of people by getting them involved in decision making about their own lives as well as the neighborhood. On the other hand, a neighborhood does not have direct control over final decisions and outcomes since they are made and implemented by outsiders, such as governments and corporations.

The general implementation process is (1) issue identification, (2) recruitment of members and emergence of leaders, (3) determination of an organizational structure, (4) research on the issue, (5) development of strategies and tactics, (6) actions, and (7) evaluation.

Case Studies:

- ♦ *The Fall of the Fair - Committee Struggles for Fairness* by Robert McClory. Chicago 1992 Committee, Chicago. 1992.
- ♦ *The Backyard Revolution: Understanding the New Citizen Movement* by Harry Boytes. Temple University Press: Philadelphia. 1980.

Readings:

- ♦ *The Grassroots Fundraising Book: How to Raise Money in Your Community* by Joab Flanagan. For the Youth Project. The Swallow Press Inc. Chicago. 1977.
- ♦ *Organizing: A Guide for Grassroots Leaders* by Si Kahn. McGraw Hill: New York. 1982.

(2) Employee Ownership and Worker Cooperative

Successfully run employee-owned enterprises show greater productivity gains and profitability which can help stabilize and improve the neighborhood economy.⁵ Moreover, they tend to be more cooperative with neighborhood organizations and residents. However, establishing and stabilizing a democratic ESOP or a worker cooperative requires a great amount of time, effort, and commitment from participants. A neighborhood organization can and should facilitate the process and encourage others to implement it. Midwest Center for Labor Research (MCLR) in Chicago consults and performs research to assist industrial communities and workers experiencing economic change.⁶

Steps to create employee ownership arrangements include (1) evaluation of the proposed venture, such as workers' willingness in participation, leadership and management capacity among key actors, and their commitment to a democratically run operation, (2) assessment of the target business' potential regarding market, competition, financial and physical resources, and support from the neighborhood, local institutions, and political actors, (3) development of an organizational structure including a decision making process, and (4) setting up the legal structure

⁴ UIC Center for Urban Economic Development, 1987.

⁵ For example, the northwest worker plywood cooperatives are 30% more productive than conventional companies. Employee-owned companies (mostly non-ESOPs) are 50% more profitable than other in the same industry. Also, they grow three times faster than other companies.

⁶ Contact: Dan Swinney. 3411 W. Diversey Avenue, #14 Chicago, IL 60647. (312) 278-5418. They regularly publish articles on plant closings and worker ownership in their periodical, "The Labor Research Review."

of the business, conducting the feasibility study, writing a business plan, developing a marketing strategy, and obtaining business financing. The last step especially requires assistance from a variety of professionals.

(3) Linked Development

The Linked Development programs were successfully implemented in Boston and San Francisco. However, they failed in Seattle and New York. If successfully implemented, it generates substantial financial resources for neighborhood development efforts. Boston's program raised almost \$25 million for housing projects in its first year. Nonetheless, it is politically difficult to achieve citywide support and commitment for this type of program. Also, a city has to be able to balance downtown development policies and a commitment to neighborhood needs, which may be beyond neighborhood organizations' influence.

Although linked development programs are instituted by local governments, neighborhoods can influence them to implement the programs by (1) making balanced development a part of the public agenda, including educating public officials about development and infrastructure needs in neighborhoods and (2) organizing a strong community coalition and lobbying for the issues to be addressed in new city legislation. The development program must win support from a city administration as well as the city council. Once this link is established, public officials and neighborhood organizations should review guidelines regarding their development objective, compliance options for developers, and costs and benefits of the linkage program.

Case Studies:

- ◆ *Parcel to Parcer: Linkage Program.* Project 1- Baeford/Essex and Parcel 18. Boston Redevelopment Authority, Stephen Coyle, Director, City Hall, Boston, MA 02201.
- ◆ *"Linking Downtown Development to Broader Community Goals: An Analysis of Linkage Policy in Three Cities"* by W. Dennis Keating. *Journal of the American Planning Association*, Spring 1986, Vol. 52 No. 2.
- ◆ *Linked Development.* The Report of the Advisory Committee on Linked Development, City of Chicago, August 1986.

(4) Job Training

Subsidized job training and placement programs can build a bridge between employers with labor shortages and job seekers by providing the latter with appropriate skills and supports. On the other hand, a neighborhood may have little control over placement of the participants in quality jobs. Also, it is often difficult to reach those who need training and support the most.⁷

The implementation process includes the following steps: (1) assess local labor supply and demand characteristics (Step Two), (2) identify the target group to be trained and determine their special needs, (3) identify financial resources and potential partners (businesses or government agencies), (4) review similar programs implemented by neighborhood groups and finalize the program structure, and (5) implement and monitor the program.

⁷ After evaluating the JTPA program, the Ford Foundation found that the average wage of the program participants as \$4.62 an hour (UIC Center for Urban Economic Development, 1987).

Case Studies:

- ♦ *Economic Development and Employment Training Linkages: Devising Strategies Overcoming Obstacles* by Bradley H. Winick. The National Council for Urban Economic Development, 1730 K Street, N.W. Washington, D.C.
- ♦ *Issues and Prospects in Job Training for Chicago's Dislocated Worker* by Lynn McComick and Thomas Shaffer. The University of Illinois at Chicago, Center for Urban Economic Development, Box 4348, Chicago, IL 60680. (312) 996-6336.

(5) Capital Pool Strategies

A capital pool can increase the neighborhood's control over capital by increasing access of small businesses and entrepreneurs to capital and by providing (stable) financial resources to neighborhood economic development projects. However, other support services, such as managerial and technical supports, are also needed for successful business development.⁸ This does not usually cover costs for planning and staff capacity building, a critical part of neighborhood economic development.

The implementation process involves the followings: (1) determine financial needs of local businesses, entrepreneurs, and neighborhood-owned businesses, and neighborhood economic development projects, (2) identify the existing supply of capital funds, (3) research the proposed capital pool strategies and organizations which have implemented them, (4) decide details of the proposed capital pool strategy, (5) gain local and external support for the implementation, and (6) implement and monitor the strategy.

Organizations:

- ♦ *The Chicago Capital Fund, Inc.* is a non-profit corporation which invest in small, labor-intensive businesses in the city. Chicago, IL. (312) 667-7131.
- ♦ *Institute for Community Economics (ICE)* acts as intermediary between private investors who are interested in socially conscious project and community organizations with fundable projects. Their publication includes, *Community Land Trust Handbook*, *Community Loan Fund Manual*, and a quarterly newsletter. Greenfield, MA. (413) 774-7956.
- ♦ *National Association of Economic Development Loan Funds (NAEDLF)* is an association of community loan funds from around the country. Greenfield, MA. (413) 774-7956.
- ♦ *The National Development Council (NDC)* is a private non-profit organization specializing innovative economic development financing strategies. Washington, D.C. (202) 466-3906.

(6) Increasing Local Economic Activity (Buy Local/Produce Local Campaigns)

This strategy can promote cooperation among businesses, residents, and other institutions, and help create and retain neighborhood jobs. However, a neighborhood organization may not be able to ensure that local firms hire, purchase, market, and price products in a way that is favorable to the neighborhood.

Steps for developing "local economic activity" campaigns include: (1) create and publish directories of local businesses, products and services, (2) determine purchasing patterns of

⁸ See Business Retention, Business Incubators, and Entrepreneurial Training.

consumers including government agencies, businesses and residents, (3) identify the role the neighborhood organization can play to encourage local purchase (i.e., organizing business associations, creating a channel between large purchasers and local suppliers, or providing support services to firms producing local markets), (4) obtain funding to launch the campaign (e.g., the capital pool strategy).

Organization:

The Chicago Association of Neighborhood Development Organizations (CANDO) is a coalition of local economic development organizations in Chicago which administers the Buy Chicago Program. This program encourages large Chicago-based corporations to purchase from smaller local establishments. CANDO also plans to expand the program to include an intra-neighborhood buying project. Phone: (312) 845-9646.

Readings:

The Homegrown Economic: A Prescription For Saint Paul's Future by David Morris and the Institute of Local Self-Reliance. Office of the Mayor, 347 City Hall, St. Paul, MN 55102.

(7) Business Retention

Business retention can lead to stronger local business and more jobs, early detection of potential plant closing, ongoing interaction between businesses and residents for an improved local economic base. Nonetheless, there may be a limit to what a neighborhood can do for business retention and the economy. Also, the strategy needs to ensure accountability from businesses to make sure that their retention benefits the neighborhood at large.

This type of programs can be implemented through two different approaches: local industrial councils and industry representative programs:

- ◆ Industrial councils made up of businesses, residents, and others with business experience can integrate differences of interest among the neighborhood and develop goals and objectives for neighborhood economic development. Neighborhood-based business associations can be included here, too;
- ◆ Industry representative programs are outreach programs in which an industrial representative visits businesses on a regular and continuous basis to give advise and/or support for business expansion, management, and operation.

Organizations:

- ◆ *Chicago Association of Neighborhood Development Organizations (CANDO)* holds formed an Industrial Committee and the formation of CANDO Small Business Development Centers which include industrial retention components.

Readings:

- ◆ "Analysis Offers Tool For Keeping Industry," by Lauri Alpein, Carla Robinson, and Wiewel in *The Neighborhood Works*, January/February 1986.
- ◆ *Marketing Your Community* by Jeffery P. Davison. Public Technology, Inc. 1301 Pennsylvania Avenue, N.W. Washington, D.C. 20004. 1984.

- ♦ *Revitalizing State Economies*, by Marianne Clarke. Center for Policy Research and Analysis. National Governors Association. Washington, D.C. 1986.

(8) Business Incubators

The incubators can increase economic activity and local employment and help a neighborhood organization expand knowledge about business related matters (i.e., the real estate market and regulations). On the other hand, the implementation process can be difficult and complex, resulting in the neighborhood organization sacrificing time and resources that could go toward for other neighborhood affairs. It is also difficult to enforce infant tenant businesses commitment to neighborhood interests such as hiring local residents.

There are five major steps for the implementation of a community business incubator. They include the following: (1) define objectives for the incubator, (2) select for the incubator's board of directors, (3) collect data on existing incubators and financing programs, (4) select the site and building, and (5) determine a rent structure for its tenants and the support services to be offered.

Organizations:

- ♦ "*Fulton-Carroll Project*," *Industrial Councils of Northwest Chicago*, won national recognition since it successfully encouraged the growth of new businesses. (312) 421-3941.

Readings:

- ♦ *Business Incubator Profiles: A National Survey* by Mihailo Temali and Candace Campbell. Published by the Cooperative Community Development Program of the Hubert H. Humphrey Institute of Public Affairs, 1984.
- ♦ *Incubator Resource Kit*. National Council for Urban Economic Development, CUED Clearing House, 1703 K Street, NW, Washington, D.C. 20006. (202) 223-4735.
- ♦ *Starting a Small Business Incubator: A Handbook For Sponsors and Developers*, November 1985. Illinois Department of Commerce and Community Affairs. 1-800-252-2923.

(9) Entrepreneurial Training

Entrepreneurial training not only increases business activity and jobs in the neighborhood but also helps people establish self-esteem and acquire skills which are useful in the labor market.

However, self-employment may not be the best solution for all of resident job seekers and starting up small businesses is very risky with high failure rates. Also, small businesses produce lower profits and are highly vulnerable to the economic cycle.

To establish an entrepreneurial training program, a neighborhood organization should go through the following steps: (1) identify the target population and determine the trainee selection process, (2) decide an appropriate neighborhood's role in the training program based on the existing capacity of the organization, (3) design the training program: time frame, training contents, referrals, follow-up, and level of support services, (4) identify funding sources, and (5) develop a network of local resources to support program services, such as social services, educational institutions, the chamber of commerce, and specialized business assistance organizations.

(10) Business Enterprise by Community Organizations

The first couple of years of the operation can be a period of trial and error, and development of business management skills. Successful business ventures can create jobs and resources for neighborhood economic development efforts and increase community control over the neighborhood economy. However, the effect is rather small and new businesses tend to have very high failure rates while requiring a great amount of time, effort, and money.⁹

Steps for the implementation of establishing a community-based business are the following: (1) review the mission, goals, and activities of the organization to see if the business venture fits, (2) develop business ideas based on organizational strengths and experience of the organization, (3) select the best idea based on feasibility including cost, time, the potential markets, the neighborhood's needs, and other resources required, (4) organize the venture team to implement the finalized idea, (5) determine market feasibility based on a detailed market study, (6) create a business plan, including the nature of the business, the organizational structure, and financial resource, (7) begin operation.

Organizations:

- ◆ *Institute for Non-Profit Management and Training (INPMT)* provides professional training and technical assistance, in the field of business planning for the start-ups and established firms, local packaging, board development and training, legal and tax issues, capitalization for ventures, permanent financing, etc. Capital Heights, MD. (301) 462-3537.

Readings:

- ◆ *Business Spin-Offs: Planning the Organizational Structure of Business Activities: A Manual for Not-for-Profit Organizations.* The University of Illinois at Chicago, Center for Urban and Economic Development. (312) 99606336.
- ◆ *Community Economic Development Strategies: Creating Successful Businesses:* Volume 1: Building the Base, Volume 2: Choosing the Business Opportunity, and Volume 3: Developing the Business. By the National Economic Development and Law Center. Berkeley, CA. (415) 548-2600.
- ◆ *Looking at Income Generating Business for Small Nonprofit Organizations* by William A. Duncan. Mountain Association for Community Economic Development. Berea, Kentucky. (608) 986-2373.

⁹ Vidal's study on business venture by community development corporations (1992) found out that there were no business enterprise development project still operational after 16 years, while 29% of housing development projects and 40% of commercial development projects are still operational (Mazaraskis, 1993).

Appendix I: Process for A Detailed Feasibility Study

(1) Steps for Market Analysis

- ◆ *Goods and services* to be produced need to be defined as specifically as possible. For a manufacturing venture, *a technical study* should also be conducted by examining critical technical specifications, engineering requirements, and product development. *Site characteristics*, including the proximity to suppliers, customers, transportation, and educational institutions, should be specified. For a retail venture, *store location* is critical for its success;
- ◆ *A potential market* for the product/service should be examined from various angles; define characteristics of the customers in both *a primary and secondary market*, assess the geographical limitations on the market, estimate the size of the market, and *examine other factors beyond the neighborhood's control*, such as price and economic conditions;
- ◆ Define *competition with same products and substitute or alternative products or services*. Examine the competitors' location, products, customers, market share, sales and market percentage, competitive advantages (how do they attract customers?). Analyze how they compete and their growth potential (increasing sales and market percentages).

Much of these information can be found in trade journals, local business surveys, business schools, libraries, and the local chamber of commerce.¹⁰ Also, James J. Hill Reference Library in St. Paul provides a variety of business and industry information needed to complete the studies and analysis mentioned here.¹¹ With this research you can assess the project's estimated market share and project the sales volume.

(2) Steps for Financial Analysis

- 1) Estimates of *initial financial requirements* include start-up costs (the costs associated with developing and setting up the project), initial operating costs (the costs of running the business until it reaches the break-even point where income equals expenses), a reserve for contingencies (to cover unexpected costs or changes in the project plan). The detailed components of the estimates are listed in Appendix J;
- 2) *Break-even Analysis* examines the relationship between total income (numbers of units times price of one unit) and expenses at varying levels of production, sales, or provision of services (total fixed costs and total variable costs) and then estimates how long the project needs to be subsidized until it will reach the level of sales to cover the costs, especially the initial financial requirements;
- 3) *Financial Scenarios* are developed to explain funding resources for the project, how to obtain them, and the possibilities, using best to worst case possibilities. An example is in Appendix K. When targeting capital market institutions (such as commercial banks) for

¹⁰ See Appendix B for more information.

¹¹ See Appendix B for more information.

resources, a financial package needs to include term, risk, administrative cost, return, secondary benefits, and portfolio fit and expertise;¹²

- 4) ***The Profit and Loss (P&L) Statement*** lays out a quarterly projection of operating expenses and income based on the information obtained for the break-even analysis. Hill Library or trade journals and associations provide an average cost of sales for many industries.¹³ Be sure to consider seasonal fluctuation of activities and create several statements when everything goes well and when many problems occur. They will estimate monthly net profit before income taxes. See Appendix M for the example;
- 5) ***Cash Flow Projections*** deal with the cash that a venture project will actually handle and the bills due each quarter. They reveal whether the project will have enough cash to pay its expense each quarter or will need short-term financing for some periods. Again, make several projections depending on different assumptions. An example is in Appendix N;
- 6) ***The Projected Return on Investment (ROI) Ratio*** estimates how much money a project will make compared to the cost of investment (that is, net benefits divided by net investment for a certain period). The larger the ROI rate is, the more profits the project is expected to make so that it is more likely to attract investors.¹⁴ By comparing the ratios among the proposed projects, your neighborhood can also decide which projects to implement.

(3) Steps for Cost-Benefit Analysis

1. ***estimate the project costs*** to its sponsors and its operating organization, including the costs identified in the financial analysis minus transfer payments and sunk costs;¹⁵
2. ***estimate the benefits*** generated by the project for each year of its expected operation. Include its sales revenues, its contribution to the neighborhood, such as wage payments to previously unemployed residents, reduced cost due to the project, and an increase in the neighborhood's property value or investment. Not all contributions can be monetized but an experienced analyst can help use *shadow pricing* to do so. See Appendix O for potential project impacts;
3. ***calculate the net present value*** by (a) adjusting for inflation and an interest rate (*a discount rate*) to the total costs and benefits which are projected to occur in the future and (b) subtracting the adjusted costs from the adjusted benefits. If the value is positive, the project will result in benefits to the neighborhood at the end. The *benefit to cost (b/c)*

¹² See the detail in Appendix L

¹³ See Appendix B for Hill Library and Appendix B for trade journals and other resources for companies and industries.

¹⁴ Blakely (1994) notes that the rate between 14% and 25% is considered a desirable return for the investment and possible future growth.

¹⁵ Transfer payments are the payments which represent the transfer of control over resources from one segment of society to another, such as tax payments and the interest payments. Sunk costs are those that have been incurred on the project before the cost-benefit analysis.

ratio can also be calculated by dividing the present value of the benefits with that of the costs. The project with highest b/c ratio is more likely to benefit the neighborhood than those with smaller b/c ratios.

Caution: Cost-benefit analysis has several problems associating with it. They include (a) the difficulty of quantifying qualitative social benefits such as an increase of community feeling and confidence among neighborhood members, (b) difficulty in determining an appropriate discount rate for the neighborhood, and (c) lack of consideration on who benefits and who bears the costs in the neighborhood.

Appendix J: A Sample Initial Financial Requirement¹⁶

Expense Items	Costs
• <u>Start-up expense</u>	<u>A</u>
Feasibility studies	
Legal expenses	
Salaries and wages during start-up	
Hiring employees	
Deposits on premises	
Remodeling	
Equipment and machinery	
Installation	
Initial inventories	
Advertising and promotion	
• <u>Operating expenses (until break-even)</u>	<u>B</u>
Wages and salaries	
Advertising and promotion	
Administration	
Rent	
Interest payments	
Loan repayments	
Utilities	
Taxes	
Insurance	
• <u>Reserve for contingencies</u>	<u>C</u>
<u>Total</u>	<u>A+B+C</u>

¹⁶ Blakely, 1994.

Appendix K: An Example of a Finance Development Scenario¹⁷

Financial Resources:

1. Lenders/Funders
 - Bank to provide long-term loan
 - Private foundations to provide investment funds
2. Public Programs
 - State Development Bank
 - Equity Contribution
3. Local Investors
 - City Land Developer: building
 - Tax oriented investors: infrastructure
4. Project Structure

City	20%
Developer	20%
Investors	10%
Public Programs	10%
Lenders: bank	30%
Lenders: a foundation	10%

Narrative of the scenario:

1. Local investors. The City will provide 3 acres of land at no cost for 20% interest in the project (i.e., for a 20% equity in the project or \$200,000)
2. Developers will build buildings and manage project (i.e., \$200,000)
3. Local investors will provide 10% of cash and guarantees to assist in providing infrastructure for the project. (\$100,000).
4. Public programs. State Development Bank will provide 10% (\$100,000) equity contribution to be repaid in 12 years at the CPI rate compounded.
5. Lenders. A local bank will provide loans of \$300,000 for 10 years to build buildings. A private foundation will provide 2% loans of \$100,000.

¹⁷ Blakely, 1994.

Appendix L: Six Basic Factors for Lenders' Criteria to Analyze A Financing Package¹⁸

1. *Term:*

- When and at what rate will the invested funds and interest be repaid?
- How does this correspond with the supplier's source of funds and stability?

2. *Risk:*

- What is the primary source of repayment and what is the probability that the invested funds will be repaid from this source?
- Is there a secondary source of repayment, and what is the probability that the funds will be repaid from that source if the primary source of payment fails to materialize?

3. *Administrative cost:*

- How much time and effort per dollar lent or invested will be required to ensure proper repayment and adequate control?

4. *Return:*

- What is the rate of return to the lender?

5. *Secondary benefits:*

- Will the investment result in the investor receiving additional deposits, new jobs, related business, goodwill in the community, or other tangible or intangible benefits?

6. *Portfolio fit and expertise:*

- Given the policy of the institution and its existing personnel, does the investment fit within the institution's geographic, financial, and professional area of investment?

¹⁸ Blakely, 1994.

Appendix M: Projected Profit and Loss Statement¹⁹

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total net sales	A ₁			
Cost of sales	B ₁			
GROSS PROFIT	A ₁ -B ₁			
<i>Variable expenses:</i>				
• Salaries/wages				
• Payroll taxes				
• Security				
• Advertising				
• Dues and subscriptions				
• Legal and accounting				
• Office and computer supplies				
• Telephone				
• Utilities				
• Miscellaneous				
Total variable expenses	C ₁			
<i>Fixed expenses:</i>				
• Depreciation				
• Insurance				
• Rent				
• Taxes and licenses				
• Loan payments				
Total fixed expenses	D ₁			
TOTAL EXPENSES	C ₁ + D ₁			
NET PROFIT/LOSS(before tax)	A ₁ -B ₁ -C ₁ -D ₁			

¹⁹ Blakely, 1994.

Appendix N: Cash Flow Projections²⁰

Start-up prior

to Loan 1st Quarter 2nd Quarter 3rd Quarter 4th Quarter

Cash (beginning of month):

- Cash on hand
- Cash in bank
- Cash in investments

Total Cash A₁

Income (during month):

- Cash sales
- Credit sales payments
- Investment income
- Loans
- Other cash income

Total Income B₁

TOTAL CASH AND INCOME A₁+B₁

Expenses (during month):

- Inventory or new material
- Wages (including owner's)
- Taxes
- Equipment expense
- Transportation
- Loan Repayment
- Other cash expenses

TOTAL EXPENSES C₁

CASH FLOW (end of month) A₁+B₁-C₁

CASH FLOW CUMULATIVE (monthly)

²⁰ Blakely, 1994.

Appendix O: Potential Project Impacts to Your Neighborhood²¹

Direct Impacts

Employment:

- construction
- permanent

Income:

- wage & salaries of employees
- low-income or disadvantaged groups
- profits

Land use:

- changes in land values

Possible Indirect Impacts

Employment:

- multiplier effect creating other jobs
- reduction in other jobs
- education & training

Revenues:

- sales
- property tax
- business permits, etc.

Services costs:

- sewer
- water and other utilities
- schools

Income:

- multiplier effect

Land use:

- new development around projects (housing & businesses)
- increased property values
- housing requirements

Environmental/social costs:

- transportation/traffic congestion
- community amenity
- increased pollution and less opportunities for additional development
- community social programs

²¹ Blakely, 1994.

GLOSSARY FOR NEIGHBORHOOD ECONOMIC DEVELOPMENT²²

Assets: Things of value owned by a business, such as money, merchandise, machinery, buildings, and land.

Basic employment: Associated with business activities that provide services primarily outside the area via the sale of goods and services, but whose revenue is directed to the local area in the form of wages and payments to local suppliers.

Bonds: Interest-bearing certificates of debt issued by a municipal governmental body or a private corporation to finance physical improvements. Bond rating is an estimate of the creditworthiness of bonds issued by a governmental unit or corporation.

Bylaws: Rules, regulations, and controls set by the board of a corporation for the conduct of its business.

Capital costs: The costs a business pays for major physical improvements, such as buildings, equipment, and machinery.

Central Business District (CBD): Generally the business area of a city or town.

Community/neighborhood development: The process to meet the needs of lower-income communities/neighborhoods by encouraging self-help and cooperation at the local level. A comprehensive approach to revitalize depressed neighborhoods through partnership between neighborhoods, non-profit institutions, and public agencies.

Community Development Corporation (CDC): Generally a nonprofit organization controlled by residents of a low- to moderate-income community to help stimulate economic and physical improvement of the community. A certain percentage of the board of directors is required to be residents in the community.

Community/neighborhood-based organization: A group representative of a significant part of a community/neighborhood that provides services that focus on community/neighborhood development, including organizing and advocacy.

Comprehensive approach: A means of viewing a complicated project or problem as a total picture and then identifying all of the parts that will be needed to completed the proposed project.

Commission: A lawfully authorized group of citizens who perform certain tasks or duties in the public interest. An *economic development commission* is an example of citizens who have been appointed to the task of developing strategies to improve the local economic base.

²² Source: Blakely, 1994.

Coordinated effort: The process of actually working with various levels of government, business, neighborhood organizations, unions, and residents with the intention of establishing who is responsible for certain parts of a project.

Cost-benefit relationship: In economics, the worth of an item or a project is measured by the relationship between what it costs and what it produces.

Credit-rating: A rating or evaluation made by a credit-reporting company based on a person's present financial condition and past credit history.

Debt: An amount of money owed to a lender (usually a financial institution).

Debt limit: A legal restriction on the amount of funds a city can borrow. This amount is normally a certain percentage of the assessed valuation of taxable property in the city.

Debt Service: The amount of money required to make regular payments (usually monthly) on principal and interest loans.

Depreciation: A loss or decrease in the value or a price of property due to age, wear and tear, or deterioration of surrounding properties.

Development authority: An independent agency of the local government that possesses special powers beyond those of city government. A public housing authority is an example since it has the ability to issue special bonds for public housing.

Economically disadvantaged: Any person who is a member of a family that receives public assistance in the form of welfare payments and/or has a total income that, in related to family size, is below the poverty level defined by the government.

Employment/job generation/creation: All of the activities in which locally based organizations (public or private) engage to increase employment opportunities in a specific community or area, especially for the disadvantaged and employed.

Entrepreneur: One who organizes, manages, and assumes the risks of a business or enterprise.

Equity: The amount by which the business assets exceed the business liabilities is known as the owner's equity.

Equity capital: Funds that owners have personally invested in an enterprise.

Fair market value: The worth or value of a property as estimated by a professional property appraiser. It reflects the price at which the property could be sold in a competitive market.

Foreclosure: The legal process by which a lender forces payment of a loan by legally taking the property from the owner and selling the property to pay off the debt.

Guaranteed loan: A loan that is guaranteed partly or fully by a specific government agency for the benefit of protecting a lender against possible losses.

Holding costs: A term used by developers referring to the costs of owning land or property during the redevelopment stages of a project.

Income statement/profit-loss statement: Shows the net income or net loss for a specified period of time and how it was calculated.

Inflation: A rise in the general price of goods and services that decreases one's purchasing power. For example, if the price of goods and services doubles, purchasing power will decrease by one-half.

Initiatives: Purposeful acts undertaken by governments, business, unions, and community groups (usually in concert with one another) to achieve desired employment and economic/social outcomes in a designated geographic area.

Interest: A charge paid by borrowed money. It is usually expressed as a certain percentage. For example, a \$1,000 loan at 10% interest results in a charge of \$100 for the first year for the uses of this borrowed money.

Land-use planning: Local governments' planning for proper use of land, taking into account such factors as transportation and location of business, industry, and housing.

Land write-down: A reduction in the price of land to below fair market value. This land is usually sold by a public agency to help lower the costs of a redevelopment project.

Liabilities: Obligations of a business to pay debts, such as borrowed money and merchandise purchased on credit.

Local Economic Development: The process in which local governments or community-based (neighborhood) organizations engage in stimulating or maintaining business activity and/or employment. The principal goal is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural, and institutional resources.

Market: The geographical area of demand for products, goods, and/or services. This could be one neighborhood, a city, a state, or even several countries. *Market survey* is a study of a specific area to determine its potential for supporting commercial activity. The market survey is designed to reveal information on resident shopping patterns, physical characteristics of the commercial area, and merchant business practices, and to measure consumer purchasing power.

Neighborhood Economic Development: The process in which neighborhood members participate in creating and expanding the economic wealth of the neighborhood.

Operating costs: Expenses associated with a business activity over a specified period of time, usually according to a written agreement.

Ordinance: A rule or law established by a local government body, such as the City Council, to control actions of citizens and the effects of their activities on others.

Overhead: Costs incurred in the sale of merchandise or services. They include labor, rent, utilities, insurance, office supplies, and so on.

Partnership: A legal entity formed by two or more persons to do business. The partners must invest assets in, or contribute services to the entity and must share in both the profits and the losses from the businesses.

Planning: Planning includes the broad concept of formulating courses of action for socioeconomic change. This goes beyond the restrictive city planning connotation.

Public Works: Facilities, constructed for public use and enjoyment with public funds, such as ramps, highways, and sewers. This is in contrast to maintenance activities, such as street cleaning and painting school building.

Quasi-public agency: Usually a nonprofit corporation with a privately appointed board of directors whose purpose is to assist governmental agencies and the private sector to improve the general living standards of citizens. The majority of funds for such activities come from public agencies.

Redevelopment: The physical and economic **revitalization** of a neighborhood or community, usually with large amounts of public funds.

Redlining/disinvestment: The practice by some financial institutions of designating older or declining neighborhoods or areas within a city as too risky for loans and investment.

Regional Investment Corporation (RIC): An investment company formed by a group of citizens and business people to help finance specific small businesses in a specific area.

Rehabilitation: The physical improvement of an existing residential, commercial, or industrial building.

Retail business: A business in which the owner buys products or goods from a wholesaler and sells them to customers who make personal use of what they buy.

Revolving loan fund: Usually a municipally sponsored loan program in which a specific amount of public funds is set aside to make loans for specific purposes. As loans are repaid, the funds are loaned out again.

Small Business Administration (SBA): An agency of state governments designed to assist small businesses with more flexible financing and less restrictive lending requirements than commercial banks.

Strategy: Planned actions for specific development goals of a community based on the options and opportunities available. It is a collection of actions that help achieve a predetermined goal.

Subsidized housing: Residential housing constructed with financial assistance from a governmental or charitable institution, or residential housing where part of the monthly rent is paid by someone other than the tenant.

Sustainable development: Continuous improvement of the quality of life in a community by utilizing the minimum amount of available resources without sacrificing that of other communities in the current generation as well as the future generation. It focuses on creating and maintaining economic health rather than economic wealth.

Tax abatement: A reduction in property taxes for a specific property over a certain period of time.

Venture capital: Capital subject to considerable risk and uncertainty, such as a business loan to a manufacturer of water beds when the market for such products may be at its peak.

Zoning: The power of local government to regulate the use of private property for the benefit of the entire community.